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Contemporary Southeast Asia

Vol. 17 1995

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CONTEMPORARY SOUTHEAST ASIA

A QUARTERLY JOURNAL OF INTERNATIONAL AND STRATEGIC AFFAIRS

L-5

Articles

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R.T. MADDOCK

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The Many Faces of UNTAC: A Review Article
JAMIE FREDERIC METZL

Book Review

J/13915

Volume 17, Number 1 June 1995

INSTITUTE OF SOUTHEAST ASIAN STUDIES

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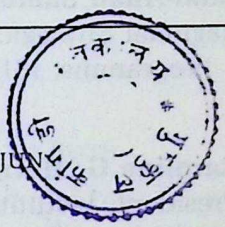

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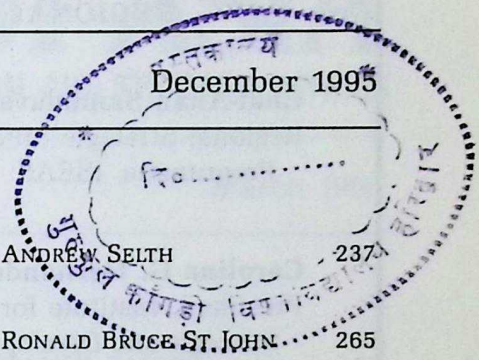

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Contemporary Southeast Asia, Volume 17, Number 1, June 1995

Terrorism and Secession in the Southern Philippines: The Rise of the Abu Sayaff[1]

MARK TURNER

This article traces the rise of the Abu Sayaff from being an individual letter-writing Islamic preacher to becoming a much feared group of terrorists. Since 1992, the Abu Sayaff has been involved in a sequence of violent incidents, mostly in Western Mindanao but extending as far as Manila. The group's aim is to establish an independent Islamic state in Mindanao. The Abu Sayaff is the latest manifestation of a 300-year-old tradition of armed Muslim opposition to the Philippine state. It has emerged in the context of a deepening of Islam in Mindanao and in areas characterized by poverty, government neglect and state weakness. Precise details of the Abu Sayaff's size, structure and operations are difficult to determine but it has established links with international terrorist groups and has become a significant threat in Western Mindanao.

Introduction

In November 1992, a daily paper in the major Western Mindanao city of Zamboanga carried a short item about "the man who calls himself Abu Sayaff, the servant of Allah".[2] The Chief of the Southern Command (Southcom) of the Armed Forces of the Philippines (AFP) had ordered "discreet security" for all priests and nuns because of the threat of violence against them by this man. Such threats had been contained in a series of letters from Abu Sayaff to the military chief, the latest of which claimed that the kidnapping of a priest on the neighbouring island and province of Basilan was the start of "a Muslim campaign against the Christians".

At that time, the Islamic religious preacher known as Abu Sayaff was regarded as a nuisance who posed no major threat to security in this

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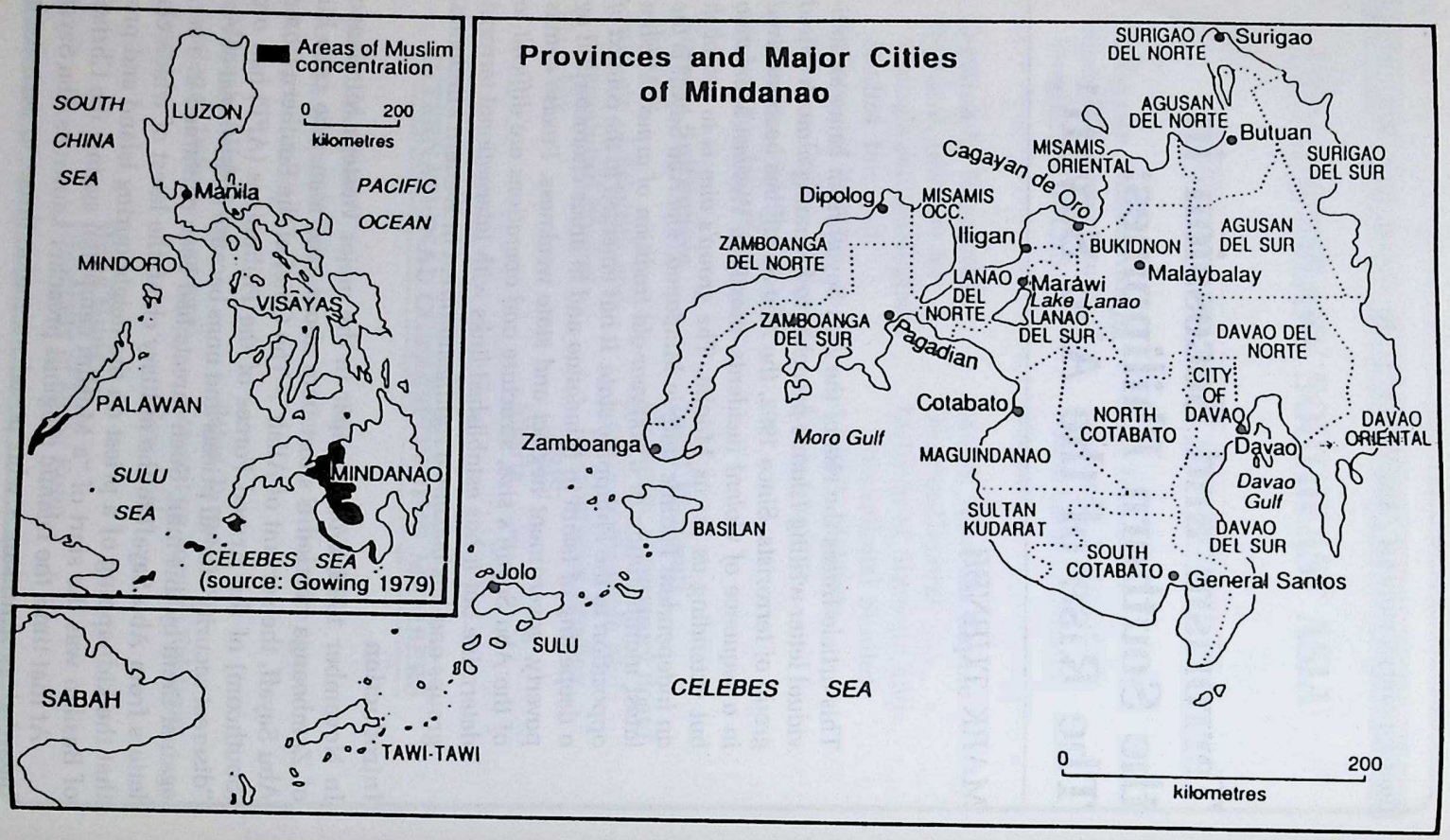
Provinces and Major Cities of Mindanao



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turbulent part of the Philippines. Less than two years later, Abu Sayaff, now translated as "swordbearer", had graduated from being an individual letter-writing irritant into a group of feared fundamentalist guerrillas or "extremist bandits". They had engaged in kidnapping, bombing, and murder. They had taken on the AFP and had sown terror in Western Mindanao. In a newspaper interview in July 1994, a spokesman for a group of about a hundred heavily-armed Abu Sayaff members claimed, "We are the ones the government is afraid of. It is no longer the NPA (Communist New People's Army) or the MNLF (autonomy-seeking Moro National Liberation Front).[3]

This article will trace the short but violent history of the Abu Sayaff and the government's response to it. The context in which it emerged and grew will then be examined. Finally, there will be a discussion of a range of issues relating to the nature of the Abu Sayaff and its operations.

A Chronology of Tragic Events

In 1992, a succession of violent acts against Christian targets in Zamboanga City gave rise to the hypothesis that radical elements of the Muslim separatist movement, the Moro National Liberation Front (MNLF) had commenced a religious war against Christianity. In August 1992, a priest was gunned down and killed. He was the director of an organization devoted to the promotion of Christian–Muslim dialogue. In the same month, five people were killed in a bombing at the Christian shrine of Fort Pilar. A Protestant pastor was shot and killed at a radio station in September. He spoke the language of one of the region's Muslim ethnolinguistic groups and was engaged in missionary work. Bombs at a Roman Catholic high school and a Dominican convent caused structural damage but no injuries. In October 1992, the action shifted to Basilan with the kidnapping of a Roman Catholic priest, Augustine Fraszczack, who was engaged on an "outreach mission".

The MNLF denied any involvement in these events and explicitly condemned them. No organization claimed responsibility and the little-known Abu Sayaff was not publicly blamed for any of them. However, Islamic fundamentalism was being suggested as an explanation for the violent events, and some Muslim leaders in Zamboanga City agreed to conduct a probe into the matter. This did not diminish the concerns of the Catholic Bishops Conference of the Philippines (CBCP) which, in December 1992, announced the relocation of its January 1993 general assembly from Zamboanga City because of fears about the safety of the participants.

The target of this criminal violence seemed to be moving beyond

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purely Christian religious individuals when a Basilan doctor, his wife and children were kidnapped in November 1992. However, in January 1993, two Spanish nuns were abducted and held for ransom in the island chain and province of Sulu. In February 1993, a prominent businessman and his grandson were kidnapped for ransom on Basilan. There was massive domestic and international media coverage of the nuns' kidnapping. Philippine politicians, the MNLF and envoys from Libya and the Palestine Liberation Organization (PLO) all participated in negotiations for the nuns' release. This was secured after nineteen days. Still, there was no mention of Abu Sayaff involvement in these kidnappings although Commander Robot (later referred to as Galib Pandan), the alleged kidnapper of the Spanish nuns, some time afterwards claimed to have joined the Abu Sayaff. Likewise, the Basilan doctor's captor, Commander Julhani Jilan, was identified as a member of the Abu Sayaff when he surrendered to government forces in 1994. And it was the Abu Sayaff which eventually released five-year-old Luis Biel, grandson of the Basilan businessman, after ninety-one days of captivity.

The name Abu Sayaff began to be mentioned when a bomb exploded in a shop at Zamboanga City airport injuring twenty-three people in February 1993. It received much more publicity when a Spanish priest, Bernardo Blanco, was kidnapped in Basilan in March 1993 and a ransom of 3 million pesos was demanded. Although perhaps not the original kidnappers of the Spanish priest, it was the Abu Sayaff that eventually held him, and with whom negotiations were made. The ransom demand from the Abu Sayaff was reported to have increased to amounts varying from 5 to 13 million pesos.[4] Negotiators included the military, the province's Peace and Order Council, a Muslim senator, and the MNLF. Eventually, concerted military action was taken and the 65-year-old priest escaped from his captors.

In April 1993, President Ramos acknowledged the threat of the Abu Sayaff when he announced that "Muslim extremists" were planning an "April surprise" of violence in Mindanao to draw the attention of the meeting in Pakistan of the Organization of Islamic Conference (OIC).[5] A small bomb did explode at Manila's domestic airport terminal on 27 April 1993 but this caused only minor damage and injured three people slightly. No claims of responsibility were made, as was the case with bombs which exploded on Manila's crowded commuter railway on 11 May. Twenty-three people were injured in that incident and both the government and the media linked the events to Islamic fundamentalism and the now notorious Abu Sayaff. The Defence Secretary, Renato de Villa, revealed that the Abu Sayaff had expanded its operations outside its southern base but admitted

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that the government had not monitored its activities in Manila. This was superseded in early June by a police report that warned of Abu Sayaff guerrillas being sent to Manila to carry out "terroristic acts" to avenge the heavy losses suffered by the Abu Sayaff in engagements with the AFP on Basilan.[6]

Alleged Islamic fundamentalism, now synonymous with the name Abu Sayaff, grabbed the headlines again in June 1993 with the arrest of a man carrying a knife, a pistol and a bomb who was trying to approach the visiting papal nuncio during mass at Zamboanga City. At the same time, it was hypothesized that Islamic fundamentalists were responsible for a large fire which destroyed several government buildings in Isabela, the capital of Basilan. The Abu Sayaff had earlier threatened to burn down the buildings after the local government had supported military action against the group. The possibility of "terroristic acts" in Manila was reconfirmed by the police, which asserted that "dozens of guerillas of the Abu Sayaff" had now arrived in the capital.[7]

The capital remained secure but the religious shrine at Fort Pilar in Zamboanga City was bombed again at the end of July 1993. Nine people were injured. Other bombs went off in the city, outside a department store and behind City Hall, without causing casualties. There were five bomb and grenade attacks against a variety of targets in Isabela, while a total of twenty-two Christian villagers were later seized in a number of incidents. The popular explanation for this latest rash of bombings and killings was Abu Sayaff, or MNLF retaliation for continuing military action by the AFP against rebel forces in Lantawan, Basilan. No organization claimed responsibility but President Ramos ordered a halt to the AFP offensive in late August 1993.

As the AFP withdrew, a wealthy Chinese-Filipino shipyard owner in Zamboanga City was kidnapped. He was still being held for ransom by the Abu Sayaff when, on 14 November 1993, another religious-motivated abduction took place in Pangutaran, Sulu. The victim was Charles Walton, an American Protestant missionary, who had been working as a bible translator in the area for some twenty years. The Abu Sayaff kidnappers issued a list of demands, ranging from the expulsion of foreign Christian missionaries to the lifting of sanctions on Libya. A US$20,000 bill for "expenses" incurred in the kidnapping was added later. Walton was released to the Libyan ambassador after twenty-four days in captivity, following negotiations involving another large cast of local and national politicians, the MNLF and foreign envoys. Shortly after, in January 1994, Ricardo Tong, the shipyard owner, was released by the Abu Sayaff. According to the authorities, no ransom was paid. Another member of a Zamboanga City

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business family was abducted in March 1994 and freed after eighteen days. The family refused to make any statement about a ransom but the victim named the Abu Sayaff as her kidnappers.

An escalation of violence occurred in June 1994. The AFP commenced an assault on the Abu Sayaff stronghold at Patikul, Sulu, on 3 June. Early claims that forty rebels had been killed were greatly exaggerated, but the Abu Sayaff group, variously estimated at between 140 and 200 armed men, broke up into smaller units to escape. A weapons cache allegedly belonging to the Abu Sayaff was seized in Zamboanga City and the suspected "supply officer" arrested. These setbacks appear to have prompted the Abu Sayaff to mount a counter-offensive to take the pressure off its troops in Sulu. This pattern of counter-offensive diversionary tactics appears to have occurred each time the Abu Sayaff has been hard-pressed by the AFP.

The first counter-offensive act was to explode a car bomb in Zamboanga City on 5 June, injuring more than thirty people. A bomb also exploded on Basilan, killing three people. Secondly, a large group of hostages was taken on Basilan. The hostages were estimated to number between thirty-five and thirty-seven (figures in the seventies were quoted later). Fifteen males among those abducted were massacred. Most of the remaining hostages were released or escaped after a few days, but the kidnappers held on to Roman Catholic priest, Cirilo Nacorda. A familiar cast of negotiators dealt unsuccessfully with the Abu Sayaff whose ransom demand was reported to range from 300,000 pesos to 3 million pesos. Nacorda was only released after the military commenced operations against the Abu Sayaff hideouts. Before the release, there was an attempt by another Abu Sayaff group to abduct an American priest while he was saying mass at the police headquarters in Jolo, the capital of Sulu province. The victim was rescued immediately by vigilant MNLF troops after a short gun battle.

The freeing of Nacorda marked a period of decline for the Abu Sayaff. Barahama Sali, the leader of Nacorda's captors, was wounded in military action and died. Others were also killed as the military continued its pursuit on Basilan. Then, Commander Julhani Jilan surrendered. The Chief of the Southern Command of the AFP, Lieutenant-General Orlando Soriano, announced on 10 August 1994 that the military had "completely annihilated the terrorist Abu Sayaff group".[8] Only the leader, Janjalani, who was "hiding" in Sulu, remained at large.

Such optimism was confounded by subsequent events. In September 1994, there were reports that the Abu Sayaff had penetrated several schools in Basilan and was "sowing their doctrine" of an independent Islamic state. In October 1994, stories were heard of the Abu Sayaff harassing teachers in three Basilan municipalities.[9] The police also announced that

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new Abu Sayaff recruits were in Zamboanga City for a "test mission".[10] Basilan was flooded with extortion letters in October and November, allegedly from the Abu Sayaff. The provincial governor revealed that the Abu Sayaff had landed in force on Basilan, having come from Sulu. During November, there were sporadic clashes on Basilan between the Abu Sayaff and government forces. These hostilities led to the suspension of classes in twenty schools. Three of the military's civilian guides were abducted by the Abu Sayaff, followed by five surveyors working on a project for the Department of Agrarian Reform.[11] A ransom of one million pesos was reportedly demanded for the latter. Additional government forces were brought into Basilan to pursue the Abu Sayaff following the abductions and the killing of eight soldiers. A plot was also uncovered to kidnap a Basilan judge and a prosecutor to exchange for the release of Julhani Jilan. Bus operators on Basilan requested official protection from the Abu Sayaff, and a protest march of "thousands" of Christians and Muslims in Isabela demanded "an end to extremist violence".[12]

This was not to be. Three wild-boar hunters were killed by the Abu Sayaff. A village leader and his son, who went looking for the bodies, were beheaded. Two soldiers were killed and six injured in an ambush on Basilan. There were reports of recruitment by the Abu Sayaff in Zamboanga City colleges and even among Christians on Basilan, and of Abu Sayaff plans to kidnap "rich people and tourists". Heavy fighting between government forces and the Abu Sayaff continued on Basilan. In mid-January 1995, thirty-three Abu Sayaff men were reported killed during three days of military action. Janjalani, the Abu Sayaff leader, was originally counted among the dead but this was disclaimed the following day.

When the Pope visited the Philippines in January 1995 the Abu Sayaff issued threats against his life and those of priests and nuns in Basilan. There was an alleged attempt to re-kidnap Father Nacorda to coincide with the papal visit, but this was thwarted. The military battles in Basilan were now severely affecting the civilian population. There were even allegations of brutal civilian deaths at the hands of the military.[13] A presidential proclamation at the end of January declared "a state of man-made calamity" in Basilan and 5 million pesos were released to support relief operations. Earlier in the month, the Department of Social Welfare had already counted 1,856 individuals displaced from the municipality of Maluso.

At the end of January 1995, the military issued a statement that the "decimated" Abu Sayaff forces had fled to Sulu with the five kidnapped surveyors.[14] Their numbers had dwindled from eighty to a core of thirty, and the AFP was going to continue the pursuit "without let-up". Janjalani eluded captors and on 25 February 1995 "Abu Sayaff elements" kidnapped four sales agents of the Zizmore Corporation in Sulu. Further military

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action against the Abu Sayaff resulted in Sulu being declared a calamity area and one million pesos was initially allocated for relief efforts.[15]

On 23 March 1995, one month after his surrender, Edwin Angeles (also known as Ibrahim Panduga and Abu Qudamahack), the country's tenth most wanted man and "operations officer" for the Abu Sayaff, was produced by the Philippine National Police (PNP).[16] Information from Angeles led to the arrest of several high-ranking Abu Sayaff personnel, including the leader's brother. He also revealed a proposed hit list of politicians. But more significantly, Angeles told a tale of linkages and joint operations with international terrorists, notably with Ramzi Ahmed Yousef who is accused of bombing the World Trade Centre in New York in 1993. The Abu Sayaff, said Angeles, was supposed to mount operations with Yousef's group to assassinate the Pope and was planning bombings on commercial flights to the United States and against the American and Israeli embassies in Manila. The explosion aboard a Philippine Airlines 747 jet enroute from Cebu to Tokyo was blamed on the international terrorist allies of the Abu Sayaff. In early April 1995, the police arrested six suspected Arab terrorists in Manila and uncovered bomb-making equipment and weapons. But no sooner had this success been announced than there was tragic news from Ipil, a municipality on the Zamboanga peninsula.[17] A group of "armed Muslim gunmen", variously estimated at between fifty and two hundred, rampaged through the small commercial centre of the municipality burning buildings and killing indiscriminately. The death toll was about fifty persons. The Abu Sayaff was identified among the perpetrators and the military launched a massive shoot-to-kill operation. Thousands of villagers fled their homes to avoid the running battles between the AFP and the fleeing Abu Sayaff[18] and a new, but related, movement which called itself the Islamic Command Council of the Moro National Liberation Front.[19] The MNLF has branded the new group as pirates and bandits who had been ousted from the official ranks. A spokesperson for the Islamic Command Council announced that it was "now taking full charge of the command of the Muslim armed struggle in the Philippines".[20]

Context

The tragic events that have been chronicled above make little sense on their own. To gain a better understanding, it is necessary to establish the context in which they took place. Only by locating the Abu Sayaff and its actions in their historical, political and socio-economic environment can one develop an informed appreciation of events.

The Abu Sayaff represents a recent and virulent manifestation of

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what Philippine governments over the years have called "the Muslim problem", or "the Moro or Mindanao secessionist problem".[21] Many in the Moro population would view the problems as those of the Philippine state.[22] With the arrival of the Spanish in the Philippines in the sixteenth century, the spread of Islam northwards was halted. The Spanish succeeded in consolidating their authority and in promoting Christianity among the disparate small-scale political units in Luzon and the Visayas. They made little headway in Mindanao, however, where larger and better organized Islamic sultanates resisted colonial domination for several centuries. Only in the nineteenth century did the Spanish manage to extend their authority in Mindanao beyond a series of coastal settlements, especially in the north. Spain's "Moro problem" was the rejection by the so-called Moros of attempts to incorporate them into the alien colonial construction known as the Philippines.

The Spanish ceded the Philippines to the United States in the late nineteenth century. The American solution to the "Moro problem" was brutal suppression of Moro resistance, followed by a policy of attraction and incorporation. Simultaneously, the administration sponsored official settlement programmes in Mindanao for Christian beneficiaries from the Visayas and Luzon and encouraged spontaneous migration from these areas. This was a strategy to counter Moro resistance and to open up the economic resources of Mindanao.

When independence came to the Philippines in 1946, Muslim leaders attempted to avoid incorporation by lobbying for secession or even continuance under American rule. Mindanao was, however, acknowledged as an integral part of the Philippines. A special committee of the House of Representatives was appointed to investigate the "Moro problem" and a Commission on National Integration was established in 1957. However, little was achieved, and the tide of migrants from the north to the "land of promise" in the south continued at an accelerated rate so that by the 1975 census, about 6 million of Mindanao's 9.7 million people had their origins in Luzon or the Visayas.[23] There was considerable confusion and mounting violence as settlers encroached on traditionally owned land, or simply grabbed it. Unofficial taxation and other illegal activities, such as logging, became common and beyond the power of a weak state to prevent. Large corporations, big landowners and politicians surrounded themselves with gun-toting goons and private armies. Muslims also amassed arms and organized along clan lines, while some of those with little hope in the formal economy turned to banditry.

In the late 1960s, in the provinces of Cotabato and Lanao, there was fighting between Christian gangs known as the *Ilagas* (rats) and Muslim groups of Blackshirts and Barracuda. A Muslim (later Mindanao)

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Independence Movement was established in 1968 and was succeeded in the early 1970s by the Moro National Liberation Front (MNLF).

This organization was the culmination of Moro efforts to retain their identity in the face of attempts to subsume them as marginal actors in the Philippine economy and society. While ethnic differentiation remained among the Moro peoples, they had a common identity in Islam. The MNLF launched a secessionist war based on the belief that the Moro people constituted a distinct *bangsa* (nation) with its own particular culture and history. Islam was both the religion and ideology of the Bangsa Moro whose duty and obligation was to wage *jihad* (holy war) against the central government whose colonial policies had been detrimental to the Muslim population and to Islam. Between 1971 and 1976 the war between the MNLF and the Philippine Government resulted in the loss of at least 60,000 lives, the displacement of more than 200,000 people, and enormous physical damage.

On 23 December 1976, a formal agreement was signed between the Philippine Government of Ferdinand Marcos and the MNLF in Tripoli, Libya. Two autonomous regions (not one as specified in the document) were set up in Western and Central Mindanao and utilized by Marcos to provide official positions and patronage to the Muslim south in exchange for relative peace. One commentator summed up the situation in the mid-1980s as follows:

> [Marcos'] conciliatory pacification policies and the fragmentation of the MNLF into three distinct factions severely weakened the Moro quest for independence. By the time Moros fled into exile in Hawaii in 1986, the "Moro problem" was perceived to have been contained. It no longer constituted a threat to the state, but was for all practical purposes a minor local problem.[24]

President Corazon Aquino began her incumbency in 1986 by promising to grant "genuine autonomy" to Muslim Mindanao, as originally envisaged in the Tripoli Agreement. The new constitution of 1986 reiterated this intent by declaring the creation of the Autonomous Region of Muslim Mindanao (ARMM). The reinvigorated MNLF refused to recognize the constitution, preferring the full implementation of the Tripoli Agreement. But the government, bound by the constitution, set about drafting an Organic Act without the participation of the MNLF or the other rebel factions. After a plebiscite on the Act, only four geographically non-contiguous provinces voted for incorporation and, in 1990, officially became the ARMM.[25] This solution proved to be an unsatisfactory arrangement, contributing little to the resolution of the "Moro problem" or to the promotion of socio-economic development. The MNLF steadfastly maintained

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its opposition to these new politico-administrative arrangements and never recognized the ARMM's legitimacy.

With Fidel Ramos' election to the presidency in 1992, there were new and more concerted efforts to resolve the overall problem of insurgency in the Philippines. His major policy objective has been economic growth. This has required political stability which itself demands an end to armed challenges to the regime and the state. Ramos embarked on a deliberate policy of addressing the "Moro problem" by attempting to negotiate a settlement with the MNLF. His vision of rapid growth in Mindanao through its incorporation in the East ASEAN Growth Area (EAGA) requires such peace as an environmental condition for economic growth. Meetings have been held in Tripoli, Jakarta, Mindanao and Manila since 1992, and delegates on both sides have been generally satisfied with the progress towards the redesign of autonomy for Muslim Mindanao. Rather optimistically, however, Nur Misuari, the MNLF leader, announced in January 1995 that he hoped to see the MNLF setting up a provincial government in Mindanao later in the year.[26]

What this brief history demonstrates is that there has been sustained resistance to external domination and integration by the Moro population in Mindanao over several centuries. Violence has been one strategy to combat the intrusions while accommodation has been another. Accommodation has occurred when the violent resistance lost momentum either through military setbacks or through inducements offered by the government. It is likely that accommodation by one group may be accompanied by the emergence of another which assumes the posture of violent resistance. The MNLF is currently engaged in a process of accommodation, while the Abu Sayaff represents the strategy of violent confrontation which employs the former MNLF objective of an independent Islamic state as its purpose and as its justification for any actions.

While political history partially explains the resistance of all Moro groups to external forces, it does not fully explain the emergence and consolidation of the Abu Sayaff, especially its geographical focus in Western Mindanao. Two more contextual matters may further our understanding: a strengthening of Islam and underdevelopment.

After World War II, but especially since the early 1970s, there has been a massive expansion in the formal institutions of the Islamic religion and a deepening of understanding and adherence to Islam among the so-called Moro population. The term "revivalism" is often used in the Philippines to describe this process, but the word is somewhat misleading as much of what has happened is new, and not a recreation of a golden age of Islam. It can be seen as a response to Christian encroachment and a contemporary example of centuries of Moro resistance to integration

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into mainstream Philippine Christian society — a clear statement of the separateness of Moro identity.

In 1955, a report by a Muslim senator, Domocao Alonto, bemoaned the fact that 80 per cent of those identified as Muslims were ignorant of the teachings of the Qur'an (the holy book of Islam).[27] The number of mosques had hardly increased since the early years of the century. There were only fifty-four in 1918, with slow growth until the 1970s.[28] This was the time of war with the Marcos government, when the MNLF established strong links with foreign Islamic fundamentalist groups and states. To appease certain sections of the Moro population and members of the OIC, Marcos sponsored scholarly and religious ties; supporting these activities was preferable to armed conflict with the MNLF. By 1983, there were 1,500 mosques in the Philippines.[29] Islamic schools (*madrasah*) grew up alongside the mosques and provided training in Arabic, Islamic history and law, and the teaching of the Qur'an to large numbers of children. Other Islamic institutions, such as the Philippine Amanah Bank and the King Faisal Centre for Arabic and Islamic Studies, were established. Foreign missionaries became regular visitors and OIC money and Philippine Government reparations paid the bills. Shar'iah law was vigorously promoted and an army of indigenous *tableegh* (Islamic workers) assisted in proselytizing Islam, especially as a counter to Western influences. About 100,000 *tableegh* attended an annual religious assembly in Zamboanga City in 1994[30] and recent estimates claim 300,000 *tableegh* members in Mindanao.[31] This Islamicization process provides the context for the emergence of fundamentalist groups espousing radical political ideology. It is not an inevitable outcome of increased religiosity, but when juxtaposed with a tradition of resistance, the growth of a group such as the Abu Sayaff becomes more likely.

If the poor socio-economic conditions of Western Mindanao and the weakness of the state in the region are added to our contextualization, the emergence of a radical fundamentalist group becomes inevitable, especially as the formerly belligerent Moro group, the MNLF, has entered into a period of accommodation with government and state. This leaves a vacancy in the category of active, armed Moro resistance to the Philippine state.

Western Mindanao is one of the country's poorest regions with very low scores on all development indicators. In the 1994 *Philippine Human Development Report*, Western Mindanao had the lowest index for overall human development. Out of the country's thirteen regions, it ranked eleventh in poverty incidence, thirteenth in life expectancy and thirteenth in literacy. The underemployment rate for 1987–91 averaged 36 per cent, well above the national figure (22 per cent) and that for Mindanao (28 per

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cent).[32] Fifty-two per cent of the region's 311,700 families fall below the poverty line. Only 9 per cent of the region's population earn above 5,000 pesos per month.

The situation on Basilan, which has been the scene of much Abu Sayaff activity, is even worse. It is a rugged island of some 1,327 square kilometres divided into seven municipalities and with a population of 243,091 comprising Muslim Yakan, Tausug and Samal peoples, and Christian migrants. Fifty-eight per cent of the population are on or below the poverty line.[33] The literacy rate is only 66 per cent compared to the national average of 93.5 per cent, while there is only one doctor for every 17,000 people. Such dismal conditions make it "a natural haven for peddlers of destabilization. . . .[The] Government's presence is hardly felt".[34]

Basilan is a classic expression of the weak state where bandits, the MNLF, lost commands of the MNLF and the Abu Sayaff operate over wide areas and often engage in a range of criminal activities such as extortion, kidnapping, smuggling and illegal logging. Inhabitants allege rampant corruption among local officials. Infrastructure, especially roads, is very poor. Christians control most of the formal businesses, a fact which may contribute to resentment on the part of the original Yakan inhabitants and to Tausug and Samal migrants.

Recent violence by the Abu Sayaff and other armed groups has drawn attention to Basilan's underdevelopment and has forced the national government to action. A Basilan Inter-Agency Task Force (Bastaf) was established to formulate and implement short and medium-term plans that would promote socio-economic development. The completion of the circumferential road around the island was a priority among a number of initial infrastructure projects which were inaugurated by President Ramos in January 1995. Other locally-generated developments, such as the co-operative takeover of plantations by workers under the agrarian reform programme, and the preparation of a provincial socio-economic profile and proposed development plan by the Magbassa Kita Foundation, a non-governmental organization, gives some hope for a more prosperous and stable future, although implementing development projects and programmes in a zone of war and terror is amongst the most difficult of tasks.

Problems and Issues

In writing about the Abu Sayaff, there is a great deal of difficulty in determining the "facts" about events and the actors involved. While there is always the problem in social analysis that different actors might have different interpretations of events and situations, in Western Mindanao

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one encounters a particularly severe case of differential perspectives on the same event.[35] Media reporting about the Abu Sayaff is testimony to this. But there is additional confusion. The lack of information in reporting may be compensated for by imagination, while the indeterminacy of "facts" encourages the deliberate use of disinformation by those with a political stake in events. The inaccessibility of the object of study merely compounds the problem. Such considerations are taken into account in the ensuing discussion of two important questions: what has the Abu Sayaff actually done? What exactly is the Abu Sayaff? Both are fundamental inquiries, but hard and fast answers are extremely difficult, given the debatable credibility of much of the information.

The first question takes one back to the chronicle of events presented earlier. While most, if not all, of these incidents have been attributed to the Abu Sayaff, this may be a case of overstatement. The Abu Sayaff operate in, and has greatly contributed to, what can be described as a zone of terror covering large parts of Western Mindanao. It is, however, only one of a number of armed groups in this zone of terror. Others include regular MNLF forces; "lost commands" of the MNLF which engage in criminal activity and are disowned by the MNLF; bandit gangs; civilian militia; the "private armies" of politicians; Christian cultists; and the police and AFP.[36] With so many armed groups, it is easy to attribute particular violent events to a specific group, especially one which boasts an aggressive, radical posture, as there is often imprecise evidence to dispute it. Thus, it is easy for a lost command or bandit group to kidnap somebody for ransom and claim that it is the Abu Sayaff. It is just as simple, and indeed convenient, for the AFP and police to issue statements identifying the Abu Sayaff as the perpetrators of violent events actually committed or threatened in the future. Indeed, it may serve government purposes to portray the Abu Sayaff as a more pervasive, dangerous and active group as this can legitimize the high level of violent action against the group or others allegedly belonging to it. It might even suit the Abu Sayaff to assume responsibility for violent events if such knowledge is perceived to contribute to the achievement of its objectives — for example, the creation of a zone of terror.

This leads to the second question which concerns the nature of the Abu Sayaff. It can be seen as a terrorist group with strong Islamic beliefs and which draws members mainly from the Yakan and Tausug groups of Western Mindanao. The members are young and often portrayed as the sons of MNLF fighters from the 1970s. Its leader is Abdurajak Abubukar Janjalani, who was born in Basilan in 1963. He studied in Saudi Arabia and allegedly underwent military training in Palestine and Libya. This "training" equipped him to fight in the International Islamic Brigade in

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Afghanistan in the 1980s.[37] On his return, he engaged in religious proselytizing and began to establish the Abu Sayaff. Several other leading members of the Abu Sayaff have also been identified as having received overseas military training and combat experience in Afghanistan.

The basic aim of the Abu Sayaff is clear: to establish an independent Islamic state in Mindanao. There appear to be subsidiary or related aims, judging by demands made during kidnapping incidents — for example, the importance attached to excluding undesirable foreign influences, such as Christian missionaries and fishing boats. The objectives are to be achieved through waging *jihad* (holy war). Any means of pursuing *jihad* appear to be acceptable — kidnapping, random bombing, murder, massacre and extortion. From the record of events, the ends are seen by the Abu Sayaff as justifying the means. It is also why the AFP very frequently labels the Abu Sayaff as "extremist bandits".

It is difficult to establish the number of persons who belong to the Abu Sayaff. Estimates vary widely, from under 100 to about 1,000 armed men. It seems possible that the core group of the Abu Sayaff has never numbered more than 300. However, other existing lost commands have joined the Abu Sayaff at particular times and then fall away again. For example, a kidnapping may be perpetrated by a lost command which then seeks Abu Sayaff assistance in avoiding the attentions of the AFP and in negotiating for the ransom. Reversion to lost command status might occur when the AFP mounts concerted military action against the kidnappers, who break up into smaller groups to avoid their attackers. In addition to the core and periodic armed membership of the Abu Sayaff are active civilian supporters who are alleged to engage in recruiting, training and other non-combat activities. The number of such supporters is unknown but it is believed that they are mainly young people. The latter might also make up the majority of Abu Sayaff sympathizers. However, Muslims who are disappointed with MNLF accommodation with the government could be sympathetic to the objectives of the Abu Sayaff. It is unlikely, however, that these sympathizers would be supportive of the terrorist tactics of the Abu Sayaff, both on moral grounds and practically because they fear a Christian and military backlash. Generating a backlash might even be a leading Abu Sayaff objective as it could polarize Christians and Moros and plunge Mindanao into full-scale war once again.

The Abu Sayaff has a clear organizational structure, according to one newspaper report:

> Directly under Janjalani are the line units composed of the hit squad, demolition team, Young Moro Mujahideens (soldiers of the *jihad*) and recruitment team; the functional staff consisting of support, security,

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> finance, operations office, supply, logistics recruitment and intelligence; and the territorial units based in Tubuan and Pilas Island in Basilan and Zamboanga City.[38]

Several other subsidiary groups are also mentioned in this newspaper report. The information is derived from military intelligence but the veracity of such detailed information and the purpose of the AFP in releasing it are unclear. Some observers believe that this is part of the "psychological warfare" being waged between the Abu Sayaff, the MNLF and military intelligence in Mindanao. There is also the question of whether such a highly structured set-up would be an appropriate organizational form for mounting terrorist attacks and responding to AFP assaults. A more flexible organizational structure would seem to be more appropriate and likely for the Abu Sayaff, which is constantly on the move, often on the run. The reported organization chart may indeed exist but it may not be an accurate guide to the group's organizational practice and process.

The question of external support has been mentioned several times, commencing in mid-1994 when Philippine officials launched searches for foreign individuals allegedly linked to the Abu Sayaff. For example, thirty-seven Pakistanis landed at Zamboanga City and all but one disappeared without trace.[39] A few nationals of Middle Eastern countries were detained in connection with this but were later released after involvement with the Abu Sayaff could not be established. President Ramos cautioned against precipitate action against individuals from the OIC countries as the latter organization was then "brokering" peace negotiations between the Philippine Government and the MNLF, "not to mention the fact that they control the oil import lines of the country".[41] Despite this official back-down, there were strong suspicions that foreign assistance had been given to the Abu Sayaff and was continuing. Anecdotal evidence from kidnap victims has confirmed active foreign support in spiritual development, military training and arms supply. Philippine military intelligence, in "very reliable" reports according to AFP Chief of Staff, General Arturo Enrile, has also confirmed the existence of foreign assistance for the Abu Sayaff.[41] The major breakthrough came with the surrender of Edwin Angeles in February 1995. His public statements revealed that the Abu Sayaff was involved in an international terrorist network.

This leads to a final point — the possible involvement of the military in the creation or sponsorship of the Abu Sayaff. Some media reports have hinted at such involvement although the AFP has issued vigorous denials. There are allegations that Edwin Angeles is a military "deep-penetration agent", while questions have arisen about why, if military intelligence had so much knowledge about the Abu Sayaff, were known

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activists and supporters not detained. The propagation of such information, part fact and part fiction, is probably aimed at confusing and demoralizing the enemy and generating support from a fearful public which would award legitimacy to the AFP to pursue extreme courses of violent action. The claims to such intimate knowledge might sometimes rest on very shaky ground. For example, when pursuing Father Nacorda in July 1994, one leading field commander observed of the Abu Sayaff, "We don't know them. . .we don't know who Jul Jilang is. He can even be sitting with us".[42]

Conclusion

In early 1995, the Abu Sayaff appeared to be in retreat. They had suffered military setbacks and surrenders. The AFP had pursued them relentlessly from Basilan to Sulu, unlike previously when military assaults had been terminated after early gains. The MNLF had given tacit support to AFP military action against the Abu Sayaff by even refusing the Abu Sayaff entry to MNLF-controlled areas. The private armies of politicians on Sulu had done likewise. However, the Abu Sayaff has demonstrated a capacity to regroup and strike again in spectacular style, by inflicting appalling violence on civilian victims in Ipil in April 1995. This act has added to the Abu Sayaff's notoriety and re-emphasized and extended the zone of terror which it had created. Inhabitants of other towns and cities wonder whether they would be targets.[43]

The Abu Sayaff represents a challenge to the MNLF's claimed leadership of the Muslim population of Mindanao. A revitalized Moro Islamic Liberation Front (MILF) also watches intently at a time when the MNLF is negotiating with the Philippine Government to determine the future of the state in the South and the identity of the office-holders. While the Abu Sayaff may be accurately described as "extremist bandits" by military and media personnel, the group is also the latest manifestation of a 300-year-old struggle between the Philippine state and the Moro peoples. Resistance to incorporation, assimilation and encroachment has been a recurrent theme in Moro history. This history, combined with persistent poverty and underdevelopment, plus a strengthening of Islam, provides a fertile context for the emergence of a group such as the Abu Sayaff. International links give further encouragement and sustenance. Several times, the Abu Sayaff has been described as decimated but it has shown a phoenix-like quality of rising from the ashes of defeat. Its adherents might even adopt a new name. So far it has been numerically small but its willingness and demonstrated capacity to sow terror makes it a dangerous player in the

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politics of Mindanao. The Philippine Interior and Local Government Secretary has officially acknowledged that the Abu Sayaff has "developed into a full-fledged third force terrorist group in Mindanao".[44]

NOTES

1. The name is translated from Arabic, hence the variety of spellings in English: Abu Sayyaf, Abu Sayaf and Abu Sayaff. The last option has been used in this article.
2. *Morning Times* (Zamboanga City), 14 November 1992.
3. *Philippine Daily Inquirer* (Manila), 17 July 1994.
4. For example, *Manila Chronicle* (Manila), 13 and 20 April 1993.
5. Reuter News Service, 12 April 1993.
6. Reuter News Service, 3 June 1993.
7. Reuter News Service, 8 June 1993.
8. BBC Monitoring Service of People's Television 4, Quezon City, 10 August 1994.
9. *Morning Times* (Zamboanga City), 2 October 1994.
10. *Morning Times* (Zamboanga City), 20 October 1994.
11. *Morning Times* (Zamboanga City), 19 November 1994.
12. *Morning Times* (Zamboanga City), 13 December 1994.
13. *Morning Times* (Zamboanga City), 18 January 1995.
14. *Morning Times* (Zamboanga City), 27 January 1995.
15. *Philippine Star* (Manila), 22 March 1995.
16. *Philippine Star* (Manila), 24 March 1995; and *Philippine Daily Inquirer* (Manila), 24 March 1995.
17. *The Australian* (Sydney), 5 April 1995.
18. *Canberra Times* (Canberra), 8 April 1995.
19. Reuter News Service, 11 April 1995.
20. Ibid.
21. S.D. Tanggol, "Managing the Muslim Problem for Philippines 2000: Issues and Prospects", *Philippine Journal of Public Administration* 38, no. 2 (April 1994): 108. Other contemporary accounts of "the Moro problem" include T.J.S. George, *Revolt in Mindanao: The Rise of Islam in Philippine Politics* (Kuala Lumpur: Oxford University Press, 1980); S.K. Tan, *The Filipino Muslim Struggle 1900–1972* (Manila: Filipinas Foundation, 1977); C.A. Majul, *The Contemporary Muslim Movement in the Philippines* (Berkeley: Mizan Press, 1985); P.G. Gowing, *Muslim Filipinos — Heritage and Horizon* (Quezon City: New Day, 1979); and W.K. Che Man, *Muslim Separatism: The Moros of Southern Philippines and the Malays of Southern Thailand* (Singapore: Oxford University Press, 1990).
22. See, for example, M.A. Muslim, *The Moro Armed Struggle in the Philippines* (Marawi City: Mindanao State University); and E.R. Mercado, Jr, "The Moro People's Struggle for Self-Determination", in *Mindanao: Land of Unfulfilled Promise*, edited by M. Turner, R.J. May and L.R. Turner (Quezon City: New Day, 1992), pp. 159–68.
23. R.J. May, "The Wild West in the South: A Recent Political History", in M. Turner et al., op. cit., p. 128.
24. E.R. Mercado Jr., in M. Turner et al., op. cit., p. 163.
25. S.D. Tanggol, *Muslim Autonomy in the Philippines: Rhetoric and Reality* (Marawai City: Mindanao State University, 1993).

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26. *Philippine Daily Inquirer* (Manila), 31 January 1995.
27. Congress of the Philippines, House of Representatives, "Report of the Special Committee to Investigate the Moro Problems, Especially with Regard to Peace and Order in Mindanao and Sulu" (Manila, 1955).
28. P.G. Gowing, op. cit., p. 70.
29. R. Martin, "Resurgent Islam", *Far Eastern Economic Review*, 17 February 1994, p. 36.
30. *Manila Bulletin* (Manila), 16 September 1994.
31. R. Tiglao, "To Fight or Not to Fight", *Far Eastern Economic Review*, 9 March 1995.
32. *Politik* (Manila), November 1994, pp. 5–6.
33. Ibid, pp. 7–12.
34. Ibid., pp. 7 and 11.
35. M. Turner, "One Whole Sorry Mess: The Zamboanga Hostage-Taking Incident", in M. Turner et al., op. cit., pp. 185–96.
36. On 30 March 1995, the police issued a list of "notorious criminal groups" and "political private armed groups". Western Mindanao had larger numbers than any other region in both categories: 33 (21 per cent) out of 156 criminal groups, and 18 (45 per cent) out of 42 private armies. See *Today* (Manila), 31 March 1995.
37. *Philippine Daily Inquirer* (Manila), 30 July 1994.
38. *Philippine Daily Inquirer* (Manila), 30 July 1995.
39. *Morning Times* (Zamboanga City), 10 July 1994.
40. *Manila Chronicle* (Manila), 15 July 1994.
41. *Philippine Daily Inquirer* (Manila), 31 July 1994.
42. *Philippine Daily Inquirer* (Manila), 24 July 1994.
43. *Today* (Manila), 11 April 1995.
44. Ibid.

MARK TURNER is Associate Professor and Head of the School of Administrative Studies, University of Canberra, Australia.

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Environmental Security in East Asia

R.T. MADDOCK

Threats to security in modern societies lie as much within as without the state. Military security has declined in importance relative to economic and environmental security. Ecological capital is being destroyed on an unprecedented scale. International politics may eventually reflect holistic ecological principles but for now there are no alternatives to the state system. In East Asia, economic progress has been such that in no other area of the world are the imperatives of economic growth and environmental protection on a more direct collision course. Political commitment to improving the environment is increasing but national strategies will not suffice. Because of joint gains, environmental security will be more expeditiously attained at the regional level. Japan alone has the cognitive model and economic resources to provide environmental leadership.

The dominant discourse on emerging security issues in East Asia gives scant regard to the theory and praxis of environmental security. The environment remains generally on the fringes of domestic and international politics and in East Asia conventional security concerns continue to dominate. Yet, "in no other area of the world are the imperatives of economic growth and environmental protection on a more direct collision path".[1] Whether or not acknowledged, East Asia must, like every other region, face up to the security consequences of a degraded environment, but sooner. This article seeks to locate ecological decay in the region's long-term security concerns, but will first briefly address the case for elevating the environment to a security issue.

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Security, defined as the complete absence of threat from any source, is non-existent and in all probability unattainable. It is to a degree what people, communities and states wish it, and make it, to be and, to that extent, is socially constructed. In the modern state system, security has been construed as the condition that makes the use of force more likely, the way the use of force affects individuals, states and societies, and the specific policies that states adopt in order to mitigate military force.[2] Since states abrogate to themselves the legitimate use of force, this conception necessarily limits security largely to the study of war and diplomacy within an essentially state-centric paradigm. Walt, for instance, specifically rejects expanding the concept to include *inter alia* AIDS (Acquired Immune Deficiency Syndrome), the drug problem and ecological hazards because to do so would destroy the intellectual coherence of the current security paradigm. But rapid socio-economic transformations, a changing international context and an expanded policy agenda challenge the continuing validity of the realist conception. Henry Kissinger, for instance, believes that owing to a monumental shift in international affairs the one thing that cannot occur is a continuation of the status quo.[3] The transformation of domestic and international politics coincides with a determined modern and post-modern intellectual assault on the fundamental security questions: what is security, who is being secured and from whom?

When security is stipulated to be the study of inter-state war and diplomacy, threat, by definition, must lie outside the state, in other states. This seriously misrepresents the real security of state and society, for it rules out those challenges to the legitimacy of states posed by disaffected domestic groups and classes excluded by existing power relations, as well as threats to individuals, groups and classes by the state.[4] Incompatible demands over political and economic ideologies, forms of authority and social priorities, arguably, raise more fundamental security concerns than the stand-off typical of most bilateral disagreements. The demands of often newly emancipated populations around the globe, in developed and underdeveloped countries alike, for an equitable and growing share of the global product when security of income and employment for large sections of the population cannot be guaranteed, puts severe and increasing strain on the capacity of states to mediate between conflicting demands and loyalties. Today, therefore, the threat to real security lies as much within as without the state.[5] Though modern, developed societies with high levels of citizen emancipation are, in the long run, politically stable, the transition period from traditional to modern is often characterized by instability and insecurity. Thus, the state's use of its coercive power to promote particular economic interests or to defend established patterns and levels of wealth becomes in its own right a security problem.

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Real security depends on the skill with which nations reconcile domestic order and development. The compromise may, of course, be rendered by the state itself, either deliberately or inadvertently. For example, the forced removal of 280,000 Chinese people to make way for the Sanmenxia Dam on the Yellow River, most of whom remain in dire poverty, has destroyed their security far more effectively than any threat by the government of a foreign state. The same is true of the, no doubt, unintended but none the less real and catastrophic disruption to Filipino communities as a consequence of rampant deforestation sanctioned by the Philippine state.

But the state also remains vital to national security. It does defend against predation by other states or non-state actors. It is the state which establishes the legal system and protects property rights, the essential basis for political and social stability. When the distinction between presumed internal stability and international anarchy disappears, and the state is perceived as both a perpetrator of insecurity and a defender of security, the loss of coherence which Walt warns against is very real but is a price which must be paid for a more inclusive multilateral and multidimensional conception of security. As is the nature and origin of threat, its perpetrator and victim change: "although military security has not vanished as an element of national security it has certainly declined in importance relative to the issues of economic, energy and environmental security".[6]

Security, according to Ullman,[7] is undermined by threats which drastically and quickly degrade the quality of life, or which narrow the range of policy choices available to governments and non-government entities.

The utility of embodying the environment into an expanded conception of security depends partially, therefore, on whether environmental change meets either of those two categories.

World Bank economists have sought to argue that with efficient and equitable policies, and careful husbandry, nature's essential bounty can at the same time be sustained into the long term and provide for mankind's current and future needs and wants. Economists conclude that long-term environmental outcomes, when plotted against national incomes, show an inverted U-shaped function, that is, as societies grow richer they initially degrade the environment, but after a certain level of income is reached, further growth is associated with an improving environment. That level of income is estimated to be approximately US$8,000 per capita.[8] Although there cannot be a necessary relationship between growth and an improving environment, this tempered optimism is the basis for the currently fashionable "sustainable development" paradigm embodied, for instance, in Agenda 21, the declaration issued at the conclusion of the 1992 United Nations Conference on the Environment

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and Development (UNCED) in Rio. The theoretical analysis and the empirical investigations on which such views are predicated must be treated with respect, but there are grounds for believing that this view of environmental futures is overly optimistic.

The statistical studies which show an eventually favourable trend between growth and environmental outcomes are limited both in the number of countries to which the studies refer and the data available for measurement. In fact, much of the world's most populous countries are currently far below the per capita US$8,000 figure. This is true of East Asia's populous countries, most of which, moreover, have ambitious expansion plans. Already, on a per capita basis, Malaysia's richest 10 per cent of the population emits as much carbon dioxide (CO_2) into the atmosphere as the average European. In the absence of heroic assumptions about enabling technology and social preferences, it is surely overly sanguine to assume that further growth in population, income, and output will not grievously harm the environment.

In the past, critical shortages appeared singly and slowly and were therefore capable of reasonably non-conflictual resolution. Today, the local, regional and global eco-systems face multiple, often interconnected, scarcities that exhibit complex negative and positive feedbacks which can, with only little warning, cross over critical thresholds. Deforestation, biodiversity loss, overfishing, erosion of marginal arable and pastoral lands, water and atmospheric pollution, all offer multiple but interrelated challenges to societies which often lack the institutional capacity to respond in a calibrated and socially benign manner. The sheer momentum of global environmental change so greatly exceeds the historical norm that social and economic institutions which coped when ecological demands were reasonably modest, might easily collapse under the current momentum of change. Markets, for instance, are technically efficient but are not mechanistic organisms existing in a social void. They are, when effective, embedded within stable and supportive social and political systems. But environmental degradation on the scale which is currently being witnessed may itself create the social turbulence which can undermine the very political framework necessary for markets to bring about sustainable equilibrium. In the interdependent eco-system, ecological collapse, if and when it occurs, will be rapid, sudden, unpredictable and uncontrollable. Surprise and unanticipated events may, paradoxically, have to be assumed to be the norm. Thus, according to Maurice Strong, a highly respected environmental diplomat, the global community is at a critical juncture when nothing less than the survival of the planet as a sustainable home is at stake.[9] At the core of that juncture of frightening challenge and exhilarating opportunity is mankind's proper relationship with nature.

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Environmental degradation, it is true, has not so far caused inter-state war but Homer Dixon, for one, believes that this will change as the demands on regional and global resources become unsustainable. Environmental scarcities are already, in his view, leading to violent conflict, and there are unmistakable early signs of increasing confrontation in the coming decade, either induced or aggravated by scarcities.[10] Traditional security practice is predicated on worst case assumptions. It is no more than sensible precaution to make the same assumption with regard to the world's environment where unwarranted optimism could have incalculable consequences. The environment, therefore, "is very much on the security agenda".[11] If, after all, the functioning integrity of the earth is jeopardized, the search for other securities becomes futile. The security of man cannot be achieved if the security of the earth is destroyed.

Security, ideally, needs to be reconceptualized to make it compatible with ecological rationality,[12] the primary fact or presumption of which is interdependence — everything is connected to everything else. Thus, the essential referent for ecology is the eco-system as a collective interconnected entity. Ecological rationality is holistic, valuing diversity and equality of status between all species, including our own, and not the hierarchy and dominance which currently exists in human society. Ecological principles which societies, living in constrained ecological circumstances, must cultivate if they are to avoid domestic and inter-state conflict, are holistic, contingent and mutually supportive. Ecological rationality requires, in particular, the realization that threats lie not outside but within us, that we should appreciate our organic interconnection with others. Despite the theoretical validity of this concept and the many and manifest shortcomings of states, "there is no reason to believe that an alternative to the state system will be better at achieving ecological sustainability".[13] States remain the dominant actors in international environmental politics, and environmental security requires a pragmatic and more limited internationalism to reflect this reality. Since there can be no such thing as total security, states must seek that which is feasible. What is appropriate at this stage, therefore, is not a wholesale redefinition of security but a better understanding of the nature of contemporary threats to the security of states and societies.

Environmental security, like other securities, is relative, depending on the particular circumstances of countries and their neighbours. It depends on the intensity of environmental change and also on the capacity of states, either singly or collectively, to manage that change. Thus, not all environmental change can usefully be categorized as a security issue. Determining what is and is not a threat is therefore judgemental, but since a criticism of much of the current debate is its failure to locate security

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in the particular circumstances of time and place, a rough and ready empiricism is not without merit. Rule-of-thumb criteria would suggest that environmental change becomes a security issue if:

1. it is extensive, rapid and sustained;
2. there is a high degree of real incompatibility between the attainment of ecological and other important values;
3. the real and monetary costs of attaining an acceptable trade-off between the conflicting objectives are large and/or increasing; and,
4. it interacts in a negative way with other structural or political weaknesses within states, which leads to social turbulence.

The intensity of threat and the means to deal with that threat varies from circumstance to circumstance. In East Asia, because of the combined assault of a large and expanding population and phenomenal rates of economic development, ecological limits will be reached sooner than anywhere else in the world.[14]

At the global level, the potentially most threatening environmental outcomes stem from changes to the global climate brought about by anthropogenic activity. The fact and consequences of global warming remain uncertain but there is a scientific and by now growing social consensus that human activity is changing the global climate. Projections of climate change are no more than that but the influential Intergovernmental Panel on Climate Change (IPCC) report predicts that with "a business as usual assumption" global mean temperature will increase about 1 degree Centigrade above the present value by the year 2025 and 3 degrees Centigrade by the end of the next century. The sea level is predicted to increase by 20 centimetres in the same period. Land surfaces warm more rapidly than the ocean, and polar latitudes faster than tropical and equatorial latitudes. If correct, climatic and therefore agricultural zones will shift towards the poles, the circulation of ocean currents may change, the variability of climate will increase, as will the incidence of abnormal and stormy weather. Low lying islands and land along major river estuaries may simply disappear. The security consequences of climate change are linked by a chain of multiple interconnections.

Climate → Ecology
Ecology → Economy
Economy → Politics
Politics → Security

Food supplies depend on human, technological and biological factors, on geology and social innovation, as well as climate. Vegetation zones

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could shift perhaps by hundreds of miles in the next fifty years or so, but the effect on ecological productivity depends as much on the pace as on the dimensions of change. If that is too rapid, plant and animal species may be unable to adapt quickly enough. Global climate change is more likely to exacerbate most current and near term tensions than relieve them,[15] reducing overall food supplies, increasing the incidence of chronic malnutrition, periodic famine and even transforming food into a diplomatic weapon of real substance. But the net global effect will, in all probability, be masked by regional changes in that not all countries will be affected to the same degree. Indeed, some regions may actually benefit and, even if eventually they do not, they may base their strategic response to the political and security implications of global warming on the assumption that they will. Thus, international strategies predicated on the assumption that global warming is a pure public good (bad) — that is, everyone suffers and it is in everyone's interest to prevent this — may not be appropriate. Winners and losers transform a positive sum to a zero sum outcome, thus increasing the likelihood of conflict unless national interest can be subsumed in an inclusive social ethic.

Winners in East Asia are likely to be the northern countries — China, Japan and perhaps Russia. Production of rice in Japan could double. Losers will be the humid tropical and equatorial regions in Southeast Asia.[16] Researchers at the U.S. Climate Institute have forecasted that global warming will almost certainly reduce the sustainability of the ecology and the economy of many local East Asian eco-systems.[17] The Institute's models predict higher rainfall during the monsoon seasons, with sea levels rising by more than a metre in some areas. This would ruin fishing grounds, contaminate freshwater supplies and increase soil erosion. In Vietnam, up to 10 per cent of the population could be displaced by rising sea level trends.

More specific regional threats derive from transboundary invasion of ecological space on a bilateral or regional basis, described as not only a kind of modern invasion but also a special form of violence.[18] The sovereignty of the state is severely compromised if it cannot guarantee the integrity of its own resources. Transboundary environmental degradation is usually an external cost or benefit, which the consumer, product or nation can effectively ignore but which none the less impinges on the welfare of others. The structure of transboundary externalities is quite complex as the following taxonomic figure makes clear. (The arrows show the direction of the externality.)

1. A → B
2. A → BC

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3. AB → C
4. AB → CD
5. AB → D

East Asian Examples

Examples of all five kinds of externality relations can be found in East Asia:

1. Vietnam is concerned that Thailand draws excessive amounts of water from the Mekong River in the dry season, thus increasing the intrusion of salt water from the sea into the Mekong delta region of southern Vietnam, its main rice-growing area.
2. Russia dumps low-level nuclear waste into the Sea of Japan, which is a cause of concern to Japan and South Korea.
3. Japanese scientists have been disconcerted to discover that up to 65 per cent of Japan's measured depositions of sulfur dioxide emanate from sources outside the country — 50 per cent from China and 15 per cent from South Korea.
4. Japanese and Korean investments of heavy industries in many of the less developed East Asian states bring with them unwanted polluting consequences.
5. Mutual interaction as environmental perpetrators and victims of, for example, emissions of global warming gases, deforestation, rice cultivation and energy production, and consumption.

Although the generally accepted "polluter pays" principle puts the onus of resolving the environmental crisis on the source country, political reality leaves a much more confused and potentially conflictual picture. At a purely functional level, such invasions of ecological space are best left to the parties involved but it is undoubtedly the case that they are more likely to be resolved within an accommodating regional framework that locates the environmental issue within a wider framework of conciliation and co-operation.

Perhaps the most pervasive threat to environmental security derives from the inadvertent and unwelcome consequences of economic and social modernization which, at their most acute, may threaten the modernization process itself.

According to one World Bank report, East Asian economies are doubling their size every ten years or so, but pollution and energy use are increasing by factors of five, eight and even ten,[19] and the exploitation of environmental resources per unit of GNP (gross national product) is particularly wasteful and inefficient.

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TABLE 1
Deforestation in East Asia

Indonesia	9,000 sq.km per annum
Malaysia	2,550 sq.km per annum
Thailand	1,588 sq.km per annum
Philippines	1,430 sq.km per annum

SOURCE: *Far Eastern Economic Review*, 6 February 1992, p. 14.

Each year, East Asia loses 2 million hectares of forest and in some countries such as Laos and Cambodia, deforestation has reached crisis proportions.

Indonesia is losing, according to one estimate, up to 50 per cent more logs than can be sustained in the medium term.[20] Although there are local as well as generic reasons for deforestation, the consequences are much the same everywhere; the capital base is destroyed and hydrological cycles are distorted, leading to soil erosion, loss of fertility and flooding. In Cambodia, the environmentally-related failure of the rice harvest opens up the real possibility of starvation for many communities.[21] More than 60 per cent of the rural population live in rain-fed watershed areas, and for many peasants, ecological degradation has transformed their relationship with nature from one of harmony to one of war with the land.

Deforestation is cited as the key factor in the prevalent water shortage in central Thailand, which is threatening to disrupt life in the Chao Phraya river basin. A recent survey found that only 27 per cent of Malaysia's rivers are free of pollution, the others being described as biologically dead or dying.[22] Soil erosion in the Philippines, owing mainly to deforestation, has been estimated to be ten to twenty times the sustainable rate.[23] Although attention has been focused on the large timber producing nations in Southeast Asia, deforestation is in fact widespread, even in some of the northern states such as Taiwan.

Rapid economic growth and modernization have had devastating consequences on atmospheric pollution. East Asia is predicted to account for up to 50 per cent of the global increase in carbon dioxide emissions by the end of the century. China, which already pollutes Japan's and South Korea's environments, may soon become the world's leader in carbon dioxide emissions. Some East Asian cities and industrial regions are among the most polluted in the world. The World Resources Institute recently identified Beijing, Shanghai and Seoul as three of the five worst cities in the world for sulphur-dioxide emission levels, and twelve of the fifteen

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cities most adversely affected by airborne particulate matter are located in Asia.[24] Lead pollution is believed to have reduced the mental capacity of children living in Bangkok, and Japanese citizens have suffered grievously from the so-called Itai-Itai and Minamata epidemics and the Yokkaichi asthma.

Asian farmers are among the most intensive users of agrochemicals in the world which, though increasing yields, lead also to excessive concentrations of nitrates and pesticide residues in the land and in water systems and to the death of many thousands of people through pesticide poisoning. In some countries, urban sanitation is so primitive that little more than 30 per cent of waste water is treated. The Chinese National Environmental Protection Agency has estimated the cost of acid rain, air pollution and untreated water at about 15 per cent of GNP, a toll which will rise steeply over the coming decades. Indeed, so serious is the scale and intensity of ecological decay in China that some experts and senior authorities believe that it has already crossed key thresholds of unsustainability which, combined with a still huge increase in population, could cause the country's fragmentation.[25] Up to US$20 billion may have to be spent each year up to the end of the century to restore the ecological equilibrium, a figure far beyond the political and economic capacity of most countries. The relative demands of East Asia on key environmental resources are reflected in Table 2.

In East Asia, as elsewhere, improving living standards is important not only in its own right but provides the foundation for political emancipation, social stability and regional co-operation. Democratization and emancipation are essential to long-term peace and stability but the process of modernization can, in the short term, be destabilizing, destroying established modes of authority, entitlement and social support systems. However, political élites cannot easily close off avenues of advancement to important domestic groups and classes once the enticing prospect has

TABLE 2
Comparative Environmental Decline

	Energy Intensity (Kg. oil equiv./GDP)	*Deforestation (Annual % Increase)*	*Carbon Dioxide Emissions (Tons of CO_2/GDP)*
East Asia	1.05	1.4	934
South Asia	0.61	0.6	567
Latin America	0.60	0.9	278
Africa	0.56	0.8	376

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been revealed. More people want a better standard of living, both material and non-material. Ecological degradation everywhere, but especially in parts of Asia, threatens that process of stable modernization, making new and more complex demands on the management and political skills of political élites but also constraining their capacity to balance conflicting demands and loyalties.

Most national governments are aware of the environmental threats to long-term sustainability. Political commitment to improving the environment is increasing. Almost all countries have legislation to protect air, land and water. Many have established an institutional framework, environmental ministries and special agencies to manage the emerging problems. But despite their best intentions, they lack the political will to effect often difficult political choices, the resources and the technology to improve the material/environment trade-off, and a cognitive model which would enable them to combine in one paradigm the conflicting logic of economic and ecological rationality. Thus, effective environmental security in East Asia is likely to be achievable, if at all, only on a regional basis.

Concepts of regional security differ from those at national or global levels in that they are heavily overladen with perceptions of amity and enmity.[26] A security complex exists where strong inward-looking elements stand out from the general security background, leading to such deep interdependencies that the national securities of the countries concerned cannot realistically be considered apart. In East Asia, the normal operation of a regional security dynamic has been suppressed for the past half century or so by the overlay of the global security framework. As this overlay is lifted, regional parameters become more important, opening up the possibility of regional solutions to regional problems. Historically derived feelings of amity and enmity are mediated through changing degrees of economic and ecological interdependence. Exceptionally high rates of inter-regional trade and investment, plus a tangible increase in an organic Asian confidence in Asian solutions to Asian problems[27] gives strong reason to believe that despite the lack of formal integrative institutions, the regional dimension in East Asia is a legitimate level of analysis. But what precisely delimits the region? Military and diplomatic security, economics, politics and ecology all have their own and separate rationalities, and there is no necessity for them to exactly coincide. Ecological logic dictates that regions should be delineated in terms of environmental capacities, which are reflected in the communities of organisms within the physical parameters of climate, soil and topography.[28] Eco-regions rarely coincide with political boundaries. Some eco-regions are shared by more than one state. Some states have within their boundaries more than one eco-region. One indicator of ecological regions might be the number and effectiveness

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of regional environmental regimes, of which there are a number in East Asia. For example, the Northwest Asia Action Plan is composed of North Korea, South Korea, Mongolia, China, Japan and the eastern territories of Russia.[29] Given the ecological interdependence in terms of trans-frontier air pollution, marine pollution, migratory animals and sustainable forest development, a regional environment perspective which incorporates Russia is clearly rational. In 1993 the member states agreed that the environment would be limited to the marine and coastal areas of the Sea of Japan and the Yellow Sea.

Other regional accounts of environmental transformations (for example, the Prevention and Management of Marine Pollution in the East Asia Seas) tend to exclude Russia. At the sub-regional level, too, local regimes testify to the utility of the eco-region approach — in Southeast Asia, for instance, the recently resurrected plan for the building of dams and development on the Mekong River. But eco-regions are in themselves not sufficiently all-embracing to delineate regional security regimes. For this, the environment must be mediated through human agency in the form of nations and firms. Even so, the regional perspective remains the most useful level of analysis.

At the regional, as at the global level, co-operative and mutually beneficial solutions are more easily attained if there are leaders who are able and willing to make the necessary political and material investments in success.[30] Leaders perform two functions:[31]

— they articulate a cognitive model which is successful and acceptable to putative and actual followers; and
— they can mobilize sufficient economic and technological resources to materially influence the preferences of followers.

Japan as an Environmental Leader

At this moment in time, Japan alone is capable of performing the role of environmental leader in the East Asian region and, therefore, has a disproportionate impact on the probability and shape of a regional environmental regime.

More than any other country in the world, Japan has broken the link between economic growth and environmental decay,[32] which was at one time considered almost an iron law of development. Although the Japanese environmental record is far from perfect, and in some indices lags behind some of its OECD (Organization for Economic Co-operation and Development) partners, it is sufficiently superior overall for one recent World Bank report to describe it as an environmental paragon.[33]

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The significance of the Japanese ecological record is that improvements in key environmental indices have been achieved while simultaneously growing so much more rapidly than its competitors at similar levels of development, which is important for other Asian countries reluctant to concede recently achieved improvements in economic well-being. Indeed, the optimism which suffuses much World Bank theorizing on sustainable development appears to draw heavily on the Japanese experience. Japanese élites are increasingly aware that ecological unsustainability might endanger economic well-being and social stability, and have sought to articulate a coherent strategy and to forge a national consensus to reduce the social and economic consequences of ecological degradation. Influential forces within the Japanese state are searching for a progressive model of sustainable development, a balanced and mutually supportive harmony of growth, and conservation and ecological integrity.[34] Although the Japanese Environmental Agency and MITI (Ministry of International Trade and Industry) disagree over priorities, the commitment of the latter to a more inclusive development model is crucial. MITI has joined with thirty industrial firms to establish the Research Institute of Innovative Technology for the Earth, which is designed to lead international research into technologies that will reduce emissions of carbon dioxide. It has been instrumental in launching the New Sunshine Programme as well as the Technology Renaissance for the Environment and Energy to promote Japanese technologies to those Third World countries seeking to de-link economic growth and environmental decay. In 1991, it published the policy document, "Fourteen Proposals for a New Earth" in which it set out guidelines for sustainable development over the next fifty years. Outcomes inevitably fall short of rhetoric and Japan's contribution to, for instance, regional deforestation remains a stain on its environmental record, but at the present time it alone offers a feasible model to other East Asian states newly aware of the ecological consequences of unsustainable development but reluctant to sacrifice economic growth and the expectations of newly emancipated citizens.

Moreover, Japan can partly make up some of the shortfall in finance and technology needed by many developing nations. It currently ranks first jointly with the United States in the provision of aid, a high and increasing proportion of which is designated for environmental objectives. Its environmental aid provision exceeds 120 billion yen, making up more than 17 per cent of total disbursements, and by 1997 the environmental aid budget is expected to be 300 billion yen. In 1989, the Japan International Co-operation Agency established an Environmental Affairs division within its planning department to co-ordinate its environmental

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aid activities, and it is already tailoring its aid programme to China to incorporate a greater environmental component.

Japan's financial activism in environmental diplomacy is matched by an equally dominant technological presence. Its domestic success in breaking the link between development and environmental degradation was based in part on a level of investment in environmental technology described by some experts as "staggering".[35] It has, for instance, installed almost 75 per cent of the world's total de-sulphurization and de-nitrification plants. This enormous domestic investment, allied to its effective entrepreneurial culture, has elevated Japan to become the world's most successful exporter of environmental technology. The Keidanren, Japan's powerful industry association, has set in motion plans to establish a fund to assist Third World countries, while MITI has, in association with private industry, established a number of research programmes to maintain Japan's leading position. Leadership is more congenial if it can be associated with opportunities for financial gain.

More than any other country, Japan is objectively in a position to rearticulate its and the region's security interests. Since the post-war settlement with the United States, Japan's security posture has been that of a "faceless nation".[36] But Barry Buzan believes that "no nation of Japan's weight can escape the basic logic of life in the international anarchy that great powers are driven by self-interest to assert themselves politically in the international system",[37] a view shared by many thoughtful observers inside Japan who believe that the nation can no longer avoid the security and foreign policy consequences of great economic power. Japan, it is argued, can and must play a more active regional role. But despite being able to mobilize considerable structural power resources, there exist real internal and external inhibitions to the exercise by Japan of a hegemonic role commensurate with its wealth.

There are sharp divisions within the Japanese state and society at the élite and popular levels about precisely what that role should be, divisions which have inhibited the formulation and execution of an effective foreign policy.[38] To simplify what is in reality a complex process, there are fundamental differences between the so-called idealist and realist schools. The former, linked to a still influential peace movement, denies the utility of military weapons as the means to Japanese security. This group has consistently sought to elevate Japan's security role as a civilian power mobilizing soft power to this end. On the other hand, the increasingly assertive realist group advocates what it deems a more normal diplomatic role for Japan, that is, the assumption of a regional and global diplomacy commensurate with its economic weight. The assumption by

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Japan of active environmental diplomacy offers a feasible release from this debilitating domestic social and political gridlock. The environment is generally perceived as a progressive issue, which has been explicitly linked with peace. Principle 25 of the Rio Declaration (agreed after the 1992 UNCED conference), categorically states that "peace, development and environmental protection are interdependent and indivisible".[39] The environment can therefore give real substance to the notion of civilian power. But the environment has also been identified by influential groups as a means of increasing Japanese exports, economic well-being, and prestige in the regional and international community,[40] and therefore a feasible instrument of a more normal foreign policy posture. Moreover, having already articulated a conception of comprehensive security which specifically incorporates a non-military dimension, Japan has moved some distance from the conventional discourse which centres on a state's ability to use and defend against force. Adding a further dimension to an already expanded concept requires a far more modest intellectual and psychological adjustment than is required of security managers in other countries. In recent years, representatives of the Japanese state at various political and bureaucratic levels have made the case for Japan to take on the role of environmental leader. In a letter to the 1992 UNCED conference, Prime Minister Miyazawa emphasized Japan's eagerness to play a "leading role" in the international politics of the environment,[41] and former Foreign Minister Okita confirmed that, unlike other countries which squandered their resources on armaments, Japan would mobilize its economic wealth and political energy for the far more important task of protecting the environment.

Environmental security might also be a means of legitimizing Japanese diplomatic activism in the East Asian region. Despite the passage of time, and efforts to atone for the human suffering it inflicted on East Asia, Japan still suffers from a democratic deficit in the region. Its neighbours remain nervous about a resurgent Japan, especially given the uncertainties of America's continued commitment to the region in the post-Cold War era. Yet, it is also perfectly clear that without the active and committed participation of such a dominant power, regional security in East Asia will remain fragile. Japan must therefore fashion for itself a security policy which, while allowing it to play a positive and constructive role, will none the less reassure its Asian neighbours. The environment is one "new" issue[42] which, in conjunction with its dominance of the East Asian investment regime, would give it constructive civil power. Japan shares with many other East Asian nations a similar environmental ethic, one which recognizes and respects the unity and mutual interrelation of all things and events and understands the experience of all phenomena in

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the world as the manifestation of oneness. Moreover, because of ecological interdependence, Japanese environmental outcomes like those of other Asian states cannot be resolved satisfactorily by Japan's efforts alone. It is both victim and perpetrator, it suffers from transboundary inflows of acid rain gases but it also contributes to regional deforestation.

Japanese leaders have acknowledged the need for a collective Asian approach to national and regional security, for without regional stability its own security and welfare will be continuously vulnerable. Those aspects of security which are mutually beneficial and positive are assuming increasing importance in Japan's emerging security posture, as they do for other East Asian nations. East Asia's recent progress in diplomatic normalization, political liberalization, and military *détente* cannot be separated from the regional economy, and as economics and technology assume greater significance, so too will Japan's role in East Asia as a civilian power.

One observer has noted that without co-operation, which is currently not forthcoming, the era of the Cold War could soon be replaced by one of environmental conflict,[43] and environmental security will achieve a prominence it now lacks, sooner rather than later. The more expeditiously the East Asian nations formally incorporate the environment into the theory and practice of their core national concerns, the greater the likelihood that sustainable development and real security for state and society will be attained in a controlled and equilibrium manner.

NOTES

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R.T. MADDOCK is a senior lecturer in the Department of International Politics, University of Wales, Aberystwyth.

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Origins, Sustainability and Lessons from Thailand's Economic Growth

CHRIS DIXON

Between 1986 and 1991 Thailand was one of the fastest growing economies in the world. This growth was accompanied by a surge in foreign direct investment, particularly from Japan and the Asian newly industrializing economies (NIEs). Overall, from 1986 Thailand experienced a period of accelerated integration into the global economy. On the basis of these developments, Thailand is not only increasingly referred to as one of the "new" or "second generation" NIEs, but also presented as providing a new "model" of development. This model has been described as resting on liberalization and the "rolling back of the frontiers of the state", associated with the implementation of structural adjustment. Such a "deregulation" model of economic growth is very much in tune with the new "orthodoxy" of development promoted by international agencies and enshrined in World Bank and International Monetary Fund Structural Adjustment Programmes. This article assesses the validity and implications of the "deregulation" view of Thailand's recent rapid growth through a review of the origins and sustainability of the kingdom's present pattern of growth.

Introduction

Since the early 1980s, Malaysia, Thailand and, to a lesser extent, Indonesia have experienced a process of rapid industrialization and associated economic and social change. The rapid development and structural change that these countries experienced have attracted a great deal of attention from international agencies, transnational corporations, development

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planners and policy-makers. It is widely considered that if, during the next few years, these new processes of development are sustained and consolidated, the experiences of these economies will have important lessons for the rest of the Third World.[1] For, at first sight, Indonesia, Malaysia and Thailand appear to have much more in common with other countries of the Third World than was the case with the four Asian NIEs (newly industrializing economies) of Hong Kong, Singapore, South Korea and Taiwan.

The accelerated industrialization of the three ASEAN economies has been associated with a much greater involvement of foreign investors and transnational corporations than was the case in Taiwan and South Korea, and a much lower degree of state intervention and direction than was the case in Singapore, South Korea and Taiwan. Indeed, since the early 1980s rapid economic development in Indonesia, Malaysia and Thailand has been associated with deregulation, liberalization and a reduction in the economic activities of the state, which have facilitated the activities of foreign investors and transnational corporations. For Thailand, in particular, these developments have been presented as providing a new "model of development". One observer has summarized this view thus:[2]

> Economists, development agencies and international development specialists are already starting to forsake their hallowed Japanese, South Korean and Taiwanese models of development for a new one: the Thai model. To them, Thailand's four years of double digit growth represents the success of a decade of deregulation and the honing of investment codes to produce one of the most user-friendly investment environments among developing countries.

Such a "deregulation" model of economic growth is very much in line with the current "neo-liberal" development orthodoxy promoted by the international agencies and enshrined in the World Bank and International Monetary Fund (IMF) structural adjustment programmes.[3] Indeed, Thailand is represented as one of the two most successful cases of structural adjustment (the other being Chile).[4]

Thus, the accelerated growth of Thailand, as with Malaysia and Indonesia, is depicted as the result of the successful implementation of "correct" liberal economic policies. As with the euphoria that accompanied the emergence of the Asian NIEs, the historical development and the particular national, regional and international circumstances are treated as residual to matters of policy. While this view of the Asian NIEs has been substantially dispelled since the mid-1980s,[5] it has re-emerged with respect to the three ASEAN economies.[6] Thus, little attention has been drawn to

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the antecedents and wider regional and global circumstances of the recent rapid growth of Indonesia, Malaysia and Thailand.

This article examines the validity and implications of the deregulation aspect of the recent development of the three ASEAN economies through a review of Thailand's own recent rapid economic growth.

The Antecedents of Thailand's Rapid Economic Growth

Between 1986 and 1991 Thailand became one of the fastest growing economies in the world. The kingdom's economic performance during these years was "virtually unparalleled",[7] with the value of manufactured exports growing at 40 per cent a year, total exports at 30 per cent and gross domestic product (GDP) at 9.2 per cent. This growth was accompanied by a surge in foreign direct investment, particularly from Japan and the Asian NIEs. Overall, from 1986 Thailand experienced a period of accelerated integration into the global economy. However, the sharp increase in the kingdom's growth rates since the mid-1980s has to be seen in the context of the preceding 25 years of comparatively rapid and consistent economic growth.

During the 1950s and 1960s, Thailand established a pattern of growth which was dependent on ISI (import-substitution industrialization) and the expansion of agricultural production. Increased agricultural production resulted principally from the extension of the area cultivated. While there was significant diversification into export crops, such as maize and cassava, there was little intensification of production. This was a reflection of the comparative abundance of uncultivated land (uniquely so in Asia) and unreliable rainfall. The availability of land and the ease of access to it enabled a much higher proportion of the population to remain in the agricultural sector than would be expected from the rising level of per capita GDP. The sustained growth of the agricultural sector contributed to rising export earnings and steady growth of GDP simply by the application of labour to land, with little direct investment. At the same time, the state extracted considerable surplus from the agricultural sector in the form of taxation, in particular from rice exports.[8] The agricultural sector was thus the kingdom's main engine of growth and a major source of government revenue.

The ISI sector grew out of a limited programme of "state capitalism" initiated during the 1950s and was typically heavily protected.[9] From this period, the government actively promoted industry, and in 1959 the Board of Investment was established with the brief of promoting domestic and foreign investment in the "modern sector". The promotional measures (which were progressively enhanced) and the high level of protection

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engendered a number of major Thai–Chinese industrial groups with close links to the military and the bureaucracy.[10] The promotional scheme gave little incentive to either small concerns or technical innovation and tended to encourage the growth of large, often inefficient, undertakings with considerable over-capacity.[11] However, despite these limitations, by 1980 a substantial industrial base had been laid.

During the 1970s, despite recurrent economic and political crises, the Thai economy still maintained an average annual growth rate of 7 per cent — low compared to the Asian NIEs but high, and consistently so, when compared to global and Third World trends. However, behind this growth there were serious long-term problems. The balance of payments on the current account, adverse almost every year since 1953 (except 1955 and 1956), rose from an average of 1.6 per cent of GDP during the first half of the decade to 5.2 per cent in the second half. The deficit was increasingly covered by short-term borrowings, as a result of which overseas debt and, more significantly, the debt service ratio, rose rapidly.[12]

To a degree, the growth of the Thai economy during the latter part of the 1970s can be described as "debt sustained", with the established pattern of growth and attendant policies being maintained, at least in part, by overseas borrowings. However, the economic expansion of this period also reflected a very dynamic export sector which, despite domestic inflation and an over-valued currency,[13] achieved a doubling in the volume of exports.

The economic growth of the 1970s was not accompanied by significant structural change in either the domestic economy or the composition of exports. Indeed, while the share of primary products in export earnings had fallen to 70 per cent by 1980 and there had been an expansion of manufactured exports, particularly textiles, this change was greatly exaggerated by the fall in the prices of primary products.[14] Similarly, the slight shift in the structure of GDP — the share of agriculture falling from 28 per cent to 25 per cent and that of manufacturing rising from 16 per cent to 20 per cent — reflected relative price movements.

In 1980, despite policy statements in favour of export-oriented manufacturing and the introduction of various incentive measures from 1972 onwards,[15] Thailand could be characterized as a country in which the majority of the population were rural and engaged in agriculture, and in which economic growth and government policy remained centred on primary production and ISI.

Government Development Policy

During the late nineteenth and early twentieth centuries, the Thai state

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had promoted reform, establishing a modern legal and bureaucratic system and building infrastructure, notably rail and telegraph links. Between 1932 and 1957 the state actively promoted industrialization through direct participation in production and protectionist policies. Subsequently, however, successive Thai governments have been the least interventionist of any in Southeast Asia. The developmental role of the Thai state was increasingly restricted to one of fostering domestic and foreign private enterprise. The government provided the infrastructure and attempted to create a secure and attractive environment for investment. The establishment, since the early 1960s, of planning structures at all levels gives the impression that development is highly co-ordinated and regulated. In practice, however, Thai planning has proved singularly ineffective.[16]

Since the late 1950s, Thai development policy has relied heavily on conservative monetary and fiscal policies to control inflation and to manage the balance of payments.[17] Until the late 1970s, these policies were comparatively successful in maintaining a stable economic environment. However, the external shocks of the late 1970s and early 1980s revealed significant weaknesses in the macro-control of the economy, particularly with respect to fiscal matters and the control of credit.

While the level of government expenditure has been substantially lower than that of Malaysia, it has been markedly higher than in Indonesia, and the Philippines. However, unlike Malaysia, and to a lesser extent, Indonesia, successive Thai governments have not found it necessary to devote significant resources to redistributive policies with respect to either personal wealth or the spatial pattern of economic growth.

Since 1960 a series of national plans have been drawn up and implemented under the auspices of the National Economic and Social Development Board (NESDB). Despite this, there have been few signs of any co-ordinated development strategy.[18] In part, the lack of co-ordination is rooted in the comparative independence, within budgetary constraints, of the various government departments, ministries and agencies. However, beyond the general favouring of industrial growth and a neglect of the agricultural sector there has been little evidence of any clear sectoral policies. There has been no question of the state following the Asian NIE pattern of "picking winners" and actively promoting them.

For most of the post-war period, successive Thai governments have explicitly promoted industry while implicitly discouraging agriculture through heavy taxation and general neglect. However, it is important to stress that the discrimination against agriculture was never clearly stated in planning documents. Furthermore, the policies were far from consistent. Certain commodities threatened by imports did receive favourable treatment, notably sugar, oil seeds, cotton and dairy produce. In addition, even

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within the rice sector, policies were at times contradictory, with price support and state purchasing schemes being implemented when low international prices compounded the effect of the export tax on farm incomes.

Overall, the neglect and heavy taxation of the rice sector in particular reinforced the pattern of extensive cultivation, accelerating the clearance of increasingly marginal and unsuitable land and thereby deforestation, declining yields, soil erosion and the phasing of land out of cultivation. However, until about 1980 the agricultural sector remained the foundation of Thai economic growth. Government policies succeeded in transferring resources from the agricultural sector but failed to discourage productivity or undermine the sector's international competitiveness. A. Siamwalla[19] has concluded that the comparative advantage in agriculture was such that government policy proved incapable of damaging it.

It is perhaps not unfair to characterize Thai development from the late 1950s onwards as the product of limited state intervention, with little overall co-ordination and direction, and weak and generally ineffective planning mechanisms at all levels.

Structural Adjustment and Liberalization

The 1979–80 oil price rise and the subsequent collapse of non-oil commodity prices precipitated a major economic crisis for Thailand. The terms of trade declined by 22 per cent, the current account deficit widened to 6 per cent of GDP and the debt service ratio rose to 20.5 per cent. The deteriorating economic situation was exacerbated by doubts over the kingdom's long-term political stability. A survey of 65 Japanese corporations concluded that the investment situation was "hopeless".[20]

Late in 1980, the World Bank produced an economic review of Thailand.[21] This advocated a five-year programme of "structural adjustment". Specific recommendations included:

- raising domestic energy prices to the international level (they were 20 per cent below and were a key element in subsidizing the industrial sector);
- ending other fuel and transport subsidies;
- reducing government expenditure;
- ending the import-substitution policy for industry;
- placing emphasis on export-orientated industry;
- reducing import taxes;
- removing all export restrictions and taxes;
- substantially reducing foreign exchange controls;

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— imposing strong deflationary monetary and fiscal policies;
— privatizing state concerns; and
— reforming the taxation system to improve efficiency of collection and yields.

Overall, the World Bank's recommendations involved the opening of the economy to international capital, reducing the already limited role of the state, and shifting "the pattern of growth from one based on the extension of land under cultivation and on import substitution to one based on increasingly intensive use of land and industries producing for domestic and export markets under competitive conditions".[22]

The Thai Government accepted the World Bank's recommendations, which subsequently became an integral part of the Fifth National Plan (1982–86). More significantly, the implementation of the recommendations was made the condition for two Structural Adjustment Loans (SALs) with a combined value of US$250 million. These were initiated in 1982 and 1983. In addition, agreement was reached with the IMF for standby credit arrangements of SDR 814.5 million, covering the period 1981 to 1983. This arrangement was granted with the general objectives of restructuring demand, reducing the public savings–investment gap, and limiting the growth of foreign debt.

Serious difficulties were encountered in implementing the World Bank and IMF policies. Attempts to reduce fuel and transport subsidies, coming on top of the recession and government austerity measures, sparked a series of mass public protests. In addition, both domestic and foreign ISI interests would be adversely affected by such measures as the raising of energy and utility prices and the reduction of tariff barriers. Given the very close and complex interrelationships between the bureaucracy, the military and domestic capital, there was considerable pressure to hold back on the reforms. Indeed, Thailand was "caught in a bind and could engage in only a very limited degree of restructuring".[23] As a consequence, between 1981 and 1985 a variety of reforms were introduced which gave the impression of great activity in implementing structural adjustment, but few measures were of real significance.

The World Bank's 1984 review[24] of the Structural Adjustment programme was extremely critical of the limited progress,[25] as was the 1985 IMF review. Subsequent negotiations broke down and Thailand abandoned further World Bank and IMF funding.

By 1986, very limited progress had been made towards implementing the main World Bank and IMF recommendations. C. Sahansakal[26] reviewed the impact of the limited implementation of the structural adjustment programme and concluded that the economy had, in general, benefited but

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only very slightly. Similarly, Panayotou and Sussangkarn concluded that the critical contribution of the formal structural adjustment period was:

> the adoption of generally prudent monetary and fiscal policies. . . [under which] the Thai economy avoided getting into serious difficulties during the structural adjustment period. When the world economy recovered, and beneficial changes occurred in the world economic environment, Thailand did not have a serious overhang from the structural adjustment period, and was in a position to take advantage of the changes that occurred.[27]

Despite the economic problems of the early 1980s, the Thai economy maintained growth rates that were by international standards extremely respectable. In addition, the abandonment of the IMF and IBRD (International Bank for Reconstruction and Development) programmes was accompanied by signs of economic recovery. To a degree, the improved global trading situation, falling oil prices and the expansion of export earnings gave the Thai Government the confidence to forego funding from the international agencies. However, the commitment to structural adjustment was not abandoned with the programmes. The Sixth Plan (1987–91) and the Seventh Plan (1992–96) reiterated the commitment to structural adjustment-type measures, though not directly by name.

Since 1987, and more especially 1990, a significant number of the original recommendations have been implemented.[28] Thus, a range of "home grown" structural adjustment measures were implemented well after the boom was under way. Indeed, only with renewed economic growth, political stability and the reduction of political influence over the ISI sector was it possible to implement some of these policies at all. Thus, the reforms may be viewed as at most sustaining the rapid economic growth and structural change rather than initiating it. However, by the early 1990s, a combination of liberalization and the acceptance by successive governments of the view that they should confine their activities to the establishment of a suitable environment for the operation of domestic and foreign capital had made the "lean" state even leaner.

Foreign Investment and Regional Divisions of Labour

An attractive explanation of Thailand's rapid economic growth and structural change is that from 1987 the kingdom became a major destination for Japanese and NIE investment in labour-intensive manufacturing operations. As the Asian NIEs lost their competitive position in these activities, they sought alternative, stable, low-cost locations within the Asia–Pacific region. The flow of Taiwanese investment into Thailand and later other parts of Southeast Asia after 1987 is particularly striking. Overall, this relocation

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is giving rise to a "regional division of labour" between the Asian NIEs and the ASEAN Four.

In the mid-1980s, Thailand had one of the lowest levels of industrial labour cost in ASEAN[29] and the devaluation and realignment of the baht[30] had substantially improved the competitiveness of Thai exports. These factors combined with the receding of the economic crisis and the appearance of relative political stability[31] to give the kingdom an advantage over the rest of the ASEAN Four. Consequently, since the mid-1980s Thailand has become an increasingly significant component of the NIE/ASEAN Four regional division of labour.

However, while there is no doubt that foreign investment has come to play a major role in the Thai manufacturing sector, the rapid growth of exports appears to predate the influx of investment. The growth of exports was under way in 1986 while the influx of investment started in 1988. Furthermore, as Akrasanee et al.[32] have argued, given the normal start-up time for factories, the 1988 investment could not have made any significant contribution to exports before 1989.

Over the period 1985–87 foreign investment's share of net domestic capital formation showed little change, averaging 1.9 per cent. The share rose sharply to 7.5 per cent in 1988 and peaked at 9.5 per cent in 1989, before falling back to 5.8 per cent in 1991. Thus, although foreign investment became important to the Thai economy the critical early stages of Thailand's accelerated growth "were overwhelmingly Thai supplied and financed".[33]

The acceleration of the rate of growth of exports also appears to predate the upswing in domestic investment which started in 1987. Thus, the initial stages of export expansion reflected the ability of the manufacturing sector to expand production with little additional investment. There is indeed considerable evidence of over-capacity in Thai manufacturing during the early 1980s. The initial expansion of manufactured exports was led by the textile sector, which represented 31.8 per cent of export earnings in 1986. This sector had received significant foreign investment during the 1970s, and by the mid-1980s 55 per cent of the capacity was foreign-owned. In 1984, the Thai Textile Association reported that there was serious over-capacity in the industry, which neither the government nor the trade association was capable of reducing. It was this excess capacity that was utilized by a dynamic export marketing sector in the initial stages of the boom.[34]

During 1988 the Thai economy became heavily dependent on foreign investment. The influx of investment was heavily concentrated in the manufacturing sector in general, and the electronic sector in particular. The percentage of foreign investment flowing into manufacturing increased

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from 20.8 per cent in 1985 to 53.7 per cent in 1992, while the proportion of total foreign investment manufacturing that went into the electronics sector rose from 15.2 per cent in 1987 to 44.6 per cent in 1992. In terms of electronic firms with Board of Investment approval starting operation between 1986 and 1993, 65 per cent of the registered capital was Japanese, 12 per cent was from the NIEs (predominantly Singapore), and 14 per cent was Thai.

The influx of Japanese and NIE investment into the electronics assembly sector was reflected in the rapid reorientation of the pattern of exports of integrated circuits and computer parts, away from the United States towards, in particular, Japan and Singapore.

While the changing patterns of trade and investment in the electronics sector are part of the emergence of the Japan/NIE/ASEAN Four regional division of labour, more complex sub-regional structures are emerging, with firms locating different parts of their production processes in, for example, Singapore, Malaysia and Thailand in relation to labour costs and the availability of specialist facilities and skilled labour.

Conclusion: The Contradictions of the Thai Model

The growth and structural change of the Thai economy since 1986 have been spectacular by any standards. The World Bank's[35] aims of opening the economy more fully to international trade and finance, and shifting the balance of growth from the primary sector to manufacturing, have been substantially achieved. The critical question is whether these developments are sustainable in the long run.

In the mid-1990s, the Thai economy has become closely linked to the fortunes of the Asia–Pacific and the wider, global economies. This is a direct result of economic liberalization and the rapid growth of the export-oriented manufacturing sector. The situation contrasts markedly with that which prevailed during the 1970s, when Thailand's low degree of integration with the global economy provided some insulation from the prevailing unstable trading conditions. While the opening of the Thai economy has been both a contributing factor to, and a consequence of, the re-orientating and sustaining of economic growth, it has made the kingdom far more vulnerable to external "shocks".

Since the early 1980s, the Asia–Pacific economies have become increasingly integrated and able to generate economic growth and structural change independently of the rest of the global economy; "having cut its umbilical cord of economic dependence on the US and Europe",[36] development has been associated with the decline in the importance of, in particular, the United States as a destination for the region's exports.

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In this respect, Thailand, like Korea, is out of step with the regional trend in increasing its dependence on American markets. In 1993, 37 per cent of Thai exports (by value) went to the United States and the European Community (EC). This was despite restrictions on the import of such key items as textiles and canned tuna fish. Thailand is thus likely to suffer disproportionately from any further restrictions on trade with the United States and the EC. The long-term outlook for cassava exports to the EC, and gem, jewellery and tuna fish exports to the United States look especially bleak.[37]

On the other hand, Thailand has significantly increased the proportion of its trade that goes to the Asia–Pacific region. It may well be that any reduction or restriction of American and EC markets will be met, at least in part, by sales within the Asia–Pacific region. However, the strengthening of Thailand's position within this emergent region depends heavily on the continued receipt of labour-intensive manufacturing activities shed by the NIEs and Japan.

Thailand's rapid and largely uncontrolled economic growth has been costly in terms of the environment and the living conditions for much of the population. This is most apparent in the case of the Bangkok Metropolitan Region, but the long-term neglect of the rural sector in favour of urban–industrial development has resulted in a more gradual, but ultimately equally devastating, impact on many rural areas.

Economic growth and, even more, structural changes have been heavily concentrated in the Bangkok Metropolitan Region, largely by-passing the majority of the population. This heavy concentration of growth has created major problems of congestion, pollution and planning. It might well be that the conditions created by the boom will eventually come to undermine the basis of economic growth. In addition, growth of income disparities, the low income generating capacity of agriculture, land shortage and degradation, the failure of industrial employment to grow fast enough, and serious shortages of housing, services and welfare provisions, when taken in conjunction with the limited development of basic democratic rights, might well generate major social tension and political unrest. The serious public disturbances that surrounded the Democracy Movement during April and May 1992 give added weight to this prediction.

The congestion, lack of infrastructure, rising costs of land and labour, and signs of a skilled labour shortage are beginning to discourage investment.[38] In addition, there are signs that foreign investment, which has become a major element of Thai growth, is beginning to falter. The outflow of investment from East Asia has slowed. There are moves towards automation of labour-intensive processes and the retention of these operations rather than their export.[39] This is in addition to the diversion of investment

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to the EC and North America[40] in anticipation of increased protection, and to lower cost locations in China and Vietnam.

Faced with the loss of comparative advantage in labour-intensive manufacturing activities, the NIEs were able to move to more skill- and capital-intensive activities. The prospects for the Thai economy following this line of development appear to be extremely limited. A major constraint is the lack of skilled labour. In consequence, Thailand is now confronting a major contradiction: wage levels are getting too high for the labour-intensive sector, while the lack of skilled labour is limiting the move into higher-labour-cost activities.

The developmental problems facing Thailand in the mid-1990s are closely related to the long-term minimalist developmental position adopted by the state. The sustainability of the present pattern of growth is being threatened by the lack of effective planning controls and the lack of long-term investment in infrastructure and training that has characterized the development of the Asian NIEs and facilitated their movement into higher technology production. In Thailand, moves towards substantial upgrading of infrastructure only took place when the situation had become critical. The long-heralded Bangkok mass-transit system, for example, is unlikely to be completed before the year 2000.

The limited economic role of the Thai state is now presented as a virtue and a major factor in the kingdom's recent economic success. Such a view appears to ignore the consequences of uncontrolled economic growth with limited central planning. Additionally, they overlook the very different pattern of development experienced by the NIEs. For them the direct and substantial involvement of the state was critical to the sustaining of economic growth and structural change.

It is becoming increasingly apparent that the current problems facing the Thai economy can only be dealt with by the state taking a far more overt role in the economy. Indeed, there are signs of increasing political pressure for this.[41] The Seventh Plan (1992–96) and, more recently, government policy statements might herald a change. The degree to which a major increase in the role of the state will prove economically or politically expedient remains very much a moot point. Furthermore, it might well be that even rapid and radical transformation of the Thai state will not be able to recoup the situation.

NOTES

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3. See, for example, D. Slater, "The geopolitical imagination and the enframing of development theory", *Transactions of the Institute of British Geographers* 18 (1993): 419–37; and C. Dixon, D. Simon and A. Narmen, "The Nature of Structural Adjustment", in *Global Change, Structural Adjustment and the Struggle for Resources in Sub-Saharan Africa*, edited by D. Simon and A. Narmen (London: Pluto Press, 1995), pp. 1–14.
4. World Bank, *World Development Report* (New York: Oxford University Press, 1991).
5. See F.C. Deyo, ed., *The Political Economy of the New Asian Industrialization* (Ithaca: Cornell University Press, 1987); G. White, "Developmental States in East Asia: An Introduction", in *The Developmental State in East Asia*, edited by G. White (London: Macmillan, 1988), pp. 1–29.
6. See, for example, World Bank, *The East Asian Miracle Economies* (Washington, 1993).
7. N. Akrasanee, D. Daprice and F. Flatters, *Thailand's Export-led Growth: Retrospect and Prospects* (Bangkok: Thailand Development Research Institute Foundation, 1991), p. xii.
8. From 1955 until 1988 the imposition of the rice premium, in effect on rice exports, kept the domestic price of rice up to 35 per cent below the international level. This levy depressed the income of rice farmers, kept the cost of living down for urban dwellers (and thereby the cost of labour) and became a major source of government revenue.
9. J.C. Ingram, *Economic Change in Thailand 1850–1970* (Stanford University Press, 1971).
10. D. Elliot, *Thailand: The Origins of Military Rule* (London: Zed, 1978); and F.W. Riggs, *Thailand: the Modernization of a Bureaucratic Polity* (Honolulu: East-West Centre Press, 1966).
11. World Bank, *An Industrial Development Strategy for Thailand* (Washington, Report No. 2804a-TH, 1980).
12. The value of debt expressed as a percentage of GNP increased from 10.3 per cent in 1970 to 20.5 per cent in 1980 and peaked at 34.1 per cent in 1985, while the debt service ratio (the cost of servicing the debt expressed as a percentage of export earnings) increased from 1.5 per cent in 1970 to 5.0 per cent in 1980, again peaking in 1985 at 16.7 per cent.
13. From 1955 until 1978, the baht had a fixed nominal exchange rate with the U.S. dollar. This resulted in the long-term over-valuation of the baht which was substantially paid for by the agricultural sector (S. Jitasuchon, *Alleviation of Rural Poverty* [Bangkok: Thailand Development Research Institute, 1989], p. 3).
14. During the 1970s there were violent fluctuations in commodity prices. However, the overall trend was a steep decline. The World Bank's composite index of non-oil commodity prices fell from an average of c.120 in 1968–70 to c.95 in 1978–80 (World Bank, *World Development Report* [New York: Oxford University Press, 1983], p. 11).
15. Provision was made under the 1963 Industrial Promotion Act to exempt exporters from taxes on imported machinery, raw materials and other intermediate products. In 1972, additional incentives were made available to exporters and the Export Promotion Act gave exporters full tax exemption on imported goods. There were further relaxations of tariffs and increases in incentives in 1974 and 1977.
16. See, for example, H. Demaine, "Kanpatthana: Thai Views of Developments", in *Context, Meaning and Power in Southeast Asia*, edited by M. Hobart and R. Taylor (Ithaca: Cornell University Press, 1986), pp. 93–114; and A. Siamwalla, "The Institutional and Political Bases of Growth-Inducing Policies in Thailand" (Paper presented at the Fifth International Thai Studies Conference, London, 1993).
17. A. Booth, "Progress and Poverty in South East Asia" (Paper presented to the British Pacific Rim Research Group, John Moores University, Liverpool, 1993).
18. Siamwalla, op. cit.

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19. Ibid., p. 25.
20. Cited in R. Tasker, "Wedded to Success", *Far Eastern Economic Review*, 3 May 1991, p. 49.
21. World Bank, *Thailand Coping with Structural Adjustment* (Washington, Report No. 3067a, 1980).
22. Ibid.
23. R. Robison, R. Higgott and K. Hewison, "Crisis in Economic Strategy in the 1980s: The Factors at Work", in *Southeast Asia in the 1980s: The Politics of Economic Crisis*, edited by R. Robinson, R. Higgott and K. Hewison (Sydney: Allen & Unwin, 1987), pp. 11–12.
24. World Bank, *Thailand: Managing Public Resources for Structural Adjustment* (Washington: A World Bank Country Study, 1984).
25. For a detailed review of the implementation of each of the proposed structural adjustment measures, see World Bank, *Program Performance Audit Report Thailand: First and Second Structural Adjustment Loans* (Washington, Report No. 6085, 1986), Annex 2.
26. C. Sahansakul, *Lessons from the World Bank, Experience of Structural Adjustment Loans: The Case of Thailand* (Bangkok: Thailand Development Research Institute Foundation, 1992).
27. T. Panayosou and C. Sussangkarn, *The Debt Crisis, Structural Adjustment and the Environment: The Case of Thailand* (Bangkok: Thailand Development Research Institute Foundation, 1991).
28. For a tabulated comparison with the situation described by the World Bank in 1986, see Sahasakul, op. cit., pp. 20–27.
29. Hourly wage rates in the electronics sector during 1985 (US = 100):

Hong Kong	16
Indonesia	4
Malaysia	10
Philippines	8
South Korea	14
Singapore	19
Taiwan	16
Thailand	5

Source: A.J. Scott, "The Semi-Conductor Industry in Southeast Asia: Organisation, Location and International Division of Labour", *Regional Studies* 21 (1987): 143–60.

30. The baht was devalued by 8 per cent in 1981 and by 14.8 per cent in 1984. More significantly, the 1984 devaluation established a managed fixed exchange rate system which tied the baht to a "basket" of the currencies of major trading partners. This not only made Thai exports more competitive but also allowed more flexibility in responding to changes in trade and exchange rates (Jitasuchon, op. cit., p. 41).
31. Despite an attempted *coup d'etat* in 1981 there was only one Prime Minister between 1980 and 1988. This contrasted markedly with the conditions that prevailed during the 1970s.
32. Jitasuchon, op. cit., pp. 22–23.
33. Ibid., p. 23.
34. For a further discussion, see R.J. Muscat, *The Fifth Tiger: A Study of Thai Development Policy* (Tokyo: United Nations University, 1994).
35. World Bank, *Thailand: Coping with Structural Adjustment* (Washington, Report No. 30677, 1980).

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36. Nomura Institute Report, cited in the *Far Eastern Economic Review*, 31 December 1992, pp. 52–53. See also C.H. Kwan, *Economic Interdependence in the Asia-Pacific Region* (London: Routledge, 1994), pp. 1–8.
37. *Far Eastern Economic Review*, 20 August 1992, p. 44.
38. See A. Rowley, "Infrastructure: No highway?" *Far Eastern Economic Review*, 5 August 1993, pp. 44–45, for the reaction of one prospective investor to the congestion.
39. *Asian Business* (December 1990), pp. 50–52.
40. There has indeed been an outflow of Thai investment into the United States, most notably the acquisition of the Seebee tuna fish concern in 1992.
41. Booth, op. cit., p. 3.

CHRIS DIXON is Professor of Geography at London Guildhall University.

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Hong Kong's Democratic Challenge

JERMAIN T.M. LAM

The 1984 Sino–British Joint Declaration stipulates that China will resume sovereignty over Hong Kong in 1997. Yet, democratization in Hong Kong poses a serious challenge to the exercise of Chinese sovereignty. On the one hand, it weakens the Chinese leadership on the island and, on the other, it threatens the communist regime on the mainland. Mutual distrust between the leaders of China and Hong Kong will certainly retard or even kill the development of democracy. Mutual restraint could perhaps provide a chance for democracy to develop in Hong Kong. This means that China has to restrain itself from exercising too much control over Hong Kong in exchange for economic prosperity. By the same token, Hong Kong has to restrain itself from influencing the political affairs of the communist regime on the mainland in exchange for gradual democratization in Hong Kong. In the political context of Hong Kong, rapid democratization seems to be impossible. Rather, the path for democratization in Hong Kong will be slow and characterized by occasional conflicts between Hong Kong and its future sovereign master.

Background

Unlike other Third World countries, the decolonization of Hong Kong from the British imperialists will not lead to independence. The British and the Chinese governments had agreed in the 1984 Joint Declaration that Hong Kong would in 1997 become a Special Administrative Region (SAR) under the sovereignty of Communist China. In return, Hong Kong would enjoy a high degree of autonomy in internal affairs with its existing

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capitalist way of life remaining unchanged for fifty years. These decisions concerning the fate of the people of Hong Kong were made between the present and future sovereign masters, without the direct involvement of the local population. The British claimed that they had consulted the members of the Hong Kong Executive and Legislative Councils during the negotiation process with the Chinese. However, these members of the executive and legislative branches were all appointed by the Hong Kong Governor without any direct bases of representation. An Assessment Office was also established by the Hong Kong Government to test the general public's acceptability of the draft agreement on the future of the territory. However, the British and the Chinese governments stated clearly that there was no possibility of an amended agreement; the alternative to acceptance of the draft agreement was to have no agreement. In this case, the Chinese would publish their own plan according to their own wishes. The future of Hong Kong and the fate of its citizens were then to be determined within this undemocratic context. The aim of this article is to examine the democratic challenge to the exercise of Chinese sovereignty and the prospect of democratization in Hong Kong during its political transition.

The democratization process in Hong Kong started in 1985 right after the Joint Declaration came into force. As the Joint Declaration stipulated that the legislature of the SAR would be constituted by elections, the Hong Kong Government initiated gradual changes to the membership of the Legislative Council such that the appointed and official members would be progressively phased out by 1997. Indirect election, "based on functional constituencies", was then introduced to the Legislative Council in 1985. The Hong Kong Government stressed that full weight should be given to representation by the economic and professional sectors of Hong Kong society which was essential for future confidence and prosperity. Thus, in the 1985–88 session, the Legislative Council was composed of 24 indirectly elected members, 22 appointed members, and 10 official members. Although there were some elected elements in the colonial legislature, it was criticized by the democrats on the grounds that indirect election was conservative and only limited to the professional élites who constituted less than one per cent of the total population. Thus, in 1988 heated debates were launched by the democrats about the possibility of introducing direct election based on universal franchise. Yet, strong resistance to direct election came from the business sector and the future sovereign master. The conservative businessmen and Chinese leaders were of the opinion that mass electoral politics would be harmful to the prosperity and stability of a society in transition.

The claim for a conservative and smooth transition originally received a sizeable number of supporters, but it was totally eclipsed by the Tiananmen

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incident of 4 June 1989 when a large number of unarmed students and other citizens were killed and arrested by the People's Liberation Army. This tragic event in Beijing accelerated the momentum for democratization in Hong Kong. A democratic Hong Kong became the scenario for the people of Hong Kong to protect their existing freedom and liberty after transfer of sovereignty to China. The elected and appointed members of the Executive and Legislative Councils reached a consensus that half of the seats of the SAR legislature should be constituted by direct election based on the principle of one-man-one-vote in 1997. The general public also joined a mass rally of one million people to express their support for democracy in China and Hong Kong. The Alliance in Support of the Patriotic Democratic Movement in China (ASPDM), led by the democrats, was formally set up in Hong Kong to organize various pro-democracy movements. Under this political environment, the Hong Kong Government decided in 1991 to introduce 18 directly elected seats to the Legislative Council from geographical constituencies. Thus, in the 1991–95 session, the Legislative Council comprised 18 directly elected members, 20 indirectly elected members, 18 appointed members, and 3 official members. The maiden direct election in Hong Kong was a success for the democrats who captured 17 out of 18 seats. China immediately denounced the electoral results as not reflecting public opinion, saying that the voting rate was only 30 per cent. China even urged the then Governor, David Wilson, not to appoint any democrats into the Executive Council.

The arrival of the new Governor, Chris Patten, in 1992 further challenged the Chinese intention to exercise tight control over the internal affairs of Hong Kong during the political transition. With the support of the British Conservative Government, Patten initiated a series of political reforms for Hong Kong in 1992 in his constitutional package. This included:

1. the expansion of directly elected seats of the Legislative Council from 18 to 20,
2. the adoption of a one-man-one-vote system in functional constituency elections,
3. the expansion of the scope of functional constituencies to include every working citizen,
4. the abolition of appointed membership in district boards and municipal councils,
5. the formation of an Election Committee composed of directly elected members of the district boards and the municipal councils to elect ten members to the Legislative Council, and
6. the separation of the membership of the Executive and Legislative Councils.

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China immediately accused the British-Hong Kong Government of introducing radical democratic reforms which would destroy the existing executive-led system and hence the stability and prosperity of Hong Kong. In order to show its determination to halt the democratic reforms, China announced that if the constitutional package was implemented, the political system of Hong Kong would be scrapped after 1997.

The strong and negative reactions against the constitutional package from China forced the British-Hong Kong Government to delay the legislation of the constitutional package and to hold talks with its Chinese counterpart. Seventeen rounds of talks lasting over eight months were subsequently held in 1993–94 between the British-Hong Kong and the Chinese governments on the issues of democratic reforms and convergence of the political system before and after 1997. However, no agreement was reached except that the voting age would be lowered from 21 to 18. As a result, the Hong Kong Government introduced two political reform bills based on the constitutional package, in February and June 1994 respectively. After heated debates between the democrats and the conservatives, the two reform bills were finally passed by the Legislative Council. China responded by reiterating that the three-tier representative structure (the Legislative Council, the municipal councils, and the district boards) would be dissolved on 1 July 1997, that all contracts and leases would have to be endorsed by China in order to be effective after 1997, and that all laws in Hong Kong would be reviewed by China after the resumption of sovereignty. The conflict between the exercise of Chinese sovereignty and that of democratization in Hong Kong became the major contradiction in the Hong Kong–China relationship. As far as the Chinese leaders were concerned, democratization would challenge their exercise of sovereignty in the lost territory.

The Democratic Challenge

As in other historical instances of decolonization around the world, a group of indigenous political leaders outside the British-Hong Kong colonial power hierarchy emerged to fight for independence and democracy. These leaders first appeared in the early 1980s when Hong Kong began to be the subject of discussion between Britain and China. These leaders were nationalistic, fighting for the return of sovereignty to the motherland. Their stand was opposite to that of the British Government's which sought for the continuation of British administration after the expiry in 1997 of the 1898 Order in Council. However, these political leaders recognized that there were great differences between the political,

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economic and social systems of Hong Kong and China. They therefore attempted to separate the issue of reintegration with the mainland from the issue of the exercise of governing power in Hong Kong. On the first issue, they supported reunification with China rather than independence. On the second, they preferred a democratic government with complete autonomy from Chinese intervention. In a sense, these two positions were contradictory, yet the democratic leaders saw them as the only possible alternatives to enhance the notion that "Hong Kong people govern Hong Kong" on the one hand, and to achieve "national reunification" on the other. These democratic leaders subsequently organized various activities to sharpen the political awareness of the general population and to participate in the *Basic Law* (the future constitution of the SAR) consultation process in the hope of fighting for an autonomous, democratic political structure.

The development of representative government since 1985 and the subsequent political events had provided the democrats with the opportunities to consolidate and expand. They were able to hold several indirectly elected seats of the Legislative Council through the functional constituencies. The leaders of the democrats, such as Martin Lee and Szeto Wah, fully utilized their positions as elected legislators to monitor the colonial administration, to provide alternatives, and to articulate the dissatisfaction of the general population towards the government. Their profile as democratic warriors won the support of some Hongkongers. The strength of the democrats increased significantly during and after the 4 June incident in which the Chinese Government suppressed the pro-democracy movement in China. The urge for a democratic government in Hong Kong to protect existing freedoms gained wider appeal among the population. The fear of China became the most important factor that triggered off and sustained the process of democratization in Hong Kong. It happened that many of the directly elected members of the Legislative Council were members of the anti-China ASPDM. Many studies have proved that the "China factor" was one of the important factors accounting for the landslide victory of the democrats in the direct elections of 1991.[1] The democrats were able to capitalize on the people's anti-China feeling during the 1991 election campaign. They attacked the stance of the pro-China candidates on the 4 June incident and questioned the loyalty of these candidates in the event of conflicts between the Hong Kong people and China.

Apart from manipulating the anti-China feeling, the democrats attempted to provide rational justifications for democracy in Hong Kong. In the Legislative Council debate on the constitutional package, the United Democrats of Hong Kong (UDHK) summarized three reasons behind their support of the proposed democratic reforms:

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1. The UDHK saw democratic development as essential to further economic growth in Hong Kong. A fair and open democratic system was thought to be able to balance and protect the economic and political interests of multinational corporations, businessmen, industrialists, and general citizens;
2. The UDHK believed that Hongkongers aspired for democracy. With a high political and social consciousness, the people of Hong Kong were thought to be unwilling to be controlled by privileged élites; and
3. The UDHK insisted that democratization was not aimed at making Hong Kong either an independent state or a pro-British puppet. Instead, it was to actualize the principles of the notion of "Hong Kong people govern Hong Kong" and with a "high degree of autonomy".[2]

Whatever the real reason behind the democrats' support for political reforms, one thing was certain: they intended to gain and consolidate as much political power as possible in the run-up to 1997. The decision of the UDHK and Meeting Point (MP) to amalgamate and form a bigger party — the Democratic Party (DP) — in April 1994 was evidence that the democrats recognized the need to form a more powerful bloc to balance off Chinese pressure.

The emergence of the democratic factions in the Legislative Council has brought in a lot of changes to the politics of Hong Kong. First, the Legislative Council has been transformed from a submissive to a more assertive legislature. The elected members are determined to play an active part in the political system to hold the colonial administration accountable. As the mandate of the elected members do not derive from the administration but from their constituents, they are naturally critical of the government. The underlying philosophy of the role of the legislators has been completely transformed. The elected members do not perceive their role as advisers or supporters of the Executive Council, but rather as equal and independent partners. The elected members recognize that they are subjected to many constitutional constraints and that they do not have the power to remove the governing Executive Council under the colonial context. Yet, the elected members are fully aware of their political influence over the Executive branch through manipulating public opinion and exposing the mistakes of the administration. The former Chief Secretary, Sir David Ford, admitted that, "The executive needs political support from the Legislative Council. . . because under the current system there is no organized support for the executive in the Legislative Council".[3]

The following data illustrates the changing role of the Legislative Council. In the 1993–94 session, a total of 225 hours were spent on general meetings; 1,409 questions were asked; 46 motion debates were held;

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8 private members' bills were tabled; and 104 bills were passed. In contrast, in the 1983–84 session, only 64 hours were spent on general meetings; 475 questions were asked; 3 motion debates were held; 3 private members' bills were tabled; and 89 bills were passed. As the elected members form the majority in the Legislative Council, the traditional Executive-led system is now transformed into a checks-and-balances system.

Another development instigated by the democratic factions is the emergence of adversarial politics. The traditional political formula of governing through consensus has been seriously challenged. The colonial administration used to co-opt the business, professional, and community élites to form a governing bloc. The administration sought consensus and co-operation from these élites by rewarding them with political status and economic privileges. As the administration and the élites shared similar political and economic philosophies, the governing process was smooth and stable. With the intrusion of the elected democrats into the power hierarchy, however, the rules of the game have been changed. Owing to the tremendous differences between the traditional élites and the new political leaders, in terms of political orientation and economic philosophy, these two groups of leaders are confrontational towards each other. On the political front, the traditional élites hope to keep Hong Kong as a business city conducive to investment and production, while the democrats advocate a better social welfare system.

The diverse differences among the two groups of political actors make compromise and consensus difficult. Instead, they hurl accusations at each other both inside and outside the legislature. For instance, Martin Lee of the UDHK has accused the Liberal Party (mainly made up of conservative businessmen and professionals) of "giving up high degree of autonomy for post-1997 Hong Kong by pushing ahead with amendments to the constitutional package in order to please China".[4] In return, Allen Lee of the Liberal Party has criticized the UDHK as being unrealistic and irresponsible in pushing through the political reforms proposed in Patten's constitutional package.[5] Thus, confrontation, rather than consensus, has become the norm of politics for a Hong Kong in transition.

In Western democratic societies, the emergence of a directly elected and independent legislature and confrontational politics are accepted as normal political phenomena. However, the above changes brought in by the democrats have directly challenged the exercise of Chinese sovereignty in Hong Kong.

The Exercise of Chinese Sovereignty

Despite the fact that China will not exercise sovereignty over Hong Kong

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until 1997, various incidents illustrate that China has directly or indirectly participated in the internal affairs of Hong Kong in the last phase of its political transition. For instance, in 1988, when the Hong Kong Government was drafting the *White Paper* on "The Further Development of Representative Government", China warned that it would not accept major changes in Hong Kong's political system before 1997. Right after the 1989 Tiananmen incident, China labelled some of Hong Kong's democrats as subversives and anti-revolutionaries. Martin Lee and Szeto Wah were expelled from the Basic Law Drafting Committee because of their "engagement in activities incompatible with the drafters' status". And in 1990 China accused London of introducing the British Nationality Scheme which provided full British nationality status for 50,000 Hongkongers.

Since 1991, China has been successful in winning *de facto* decision-making power over Hong Kong, as the Memorandum of Understanding legitimizes the right of China to be consulted on every matter related to the construction of the new airport, including financial and land-use allocations. China has also made full use of the Joint Liaison Group (which was established by the Joint Declaration to discuss matters relating to the smooth transfer of government in 1997) to exert its pressure on the British-Hong Kong Government. With respect to the 1991 direct elections, China denounced the electoral results and warned the then Governor not to appoint any elected democrats into the Executive Council. With the arrival of Chris Patten as the new Governor in 1992, the Chinese involvement in Hong Kong's affairs deepened. China threatened that the political system of Hong Kong would be totally scrapped and reconstituted according to its interpretation of the Basic Law after 1997. All contracts and laws would also have to be endorsed and reviewed by China in order to be effective after 1997. In demonstrating its determination to exercise sovereignty over Hong Kong, China established the Preparatory Working Committee (PWC) to prepare for the assumption of political power in 1997. Several teams of Hong Kong Advisers and District Advisers were also appointed by China to consolidate Beijing's power and influence in Hong Kong.

The changes brought about by the democratization process in Hong Kong would certainly diminish the Chinese ability to exercise sovereignty and power over the SAR. First, the emergence of an independent co-equal Legislative Council would mean that the power of the Executive Council would be reduced and constrained. If the members of the Legislative Council are allowed to be directly elected, based on the 1991 experience, China fears that all the seats will be captured by the hostile democrats. The fact that the popular UDHK has a large number of followers with overlapping membership in the Chinese blacklisted ASPDM confirms the fears of the Beijing leaders. Although China can control the appointment

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of the chief executive of the SAR, the chief executive would be closely monitored and checked by the democrat-dominant Legislative Council. The worst scenario for China is that the Legislative Council would take over the leadership of the government. In this case, Hong Kong would be out of China's control or, even worse, Hong Kong would become a revolutionary base to topple the communist regime in the mainland.

Secondly, China is afraid that adversarial politics would lead to Hong Kong becoming a politicized city. According to Lu Ping, the Director of China's Hong Kong and Macau Office, Hong Kong should not be anything other than an economic centre.[6] The essence of adversarial politics is free competition for political power and acceptance of differences. Thus, the operation of adversarial politics requires a democratic framework and environment to encourage political participation and interest articulation. Perhaps China is well aware of the implications of adversarial politics for its control over the internal affairs of Hong Kong. If adversarial politics is allowed in Hong Kong, the society will become pluralistic, and the people politically conscious; political parties will become strong, and pressure groups powerful. As a result, Hong Kong will be very independent and resistant to external interference.

China has already stated clearly that "a high degree of autonomy does not mean total independence". Many provisions of the Basic Law have reserved the final powers to the Chinese Government; the right of China to review and to reject the laws passed by the SAR's legislature is a case in point. Thus, China does not want to see Hong Kong becoming a city with a strong political system and a politically active population. The belief that China is the vanguard and spokesman for the people of Hong Kong remains strong among the Chinese leaders. They would prefer the Hong Kong people to leave politics (decision-making) to the élites under the guidance of Beijing.

The Chinese Government has made use of various tactics to extend its power and influence in Hong Kong. These have included persuasion, co-option, and intimidation. For instance, China has on various occasions attacked the policies initiated by the British-Hong Kong Government in order to discredit its legitimacy to govern. Chinese criticism and denunciation of the code of practice concerning the public's access to information is a case in point. Chinese Foreign Ministry spokesman, Shen Guofang, has said that, "The unilateral move by the British-Hong Kong Government to enhance the public's access to information without prior consultation and agreement with China is unacceptable to the Chinese side. . . . It will adversely affect the efficiency of the government".[7] China has also attempted to mobilize the element of nationalism in order to create anti-British sentiment in Hong Kong. For instance, the Chinese pointed a finger at

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Jardines, one of the largest British trading companies in Hong Kong, as the vehicle through which opium was brought to China in the nineteenth century.

Economic sanctions have also been frequently applied by China. After the announcement of Governor Pattern's constitutional package, and during the legislation of the political reform bills, China refused to discuss with the British-Hong Kong Government issues relating to the construction of the new airport at Chek Lap Kok and the granting of new land for socio-economic development. The Chinese Foreign Minister, Qian Qichen, recently indicated that Sino-British co-operation should incorporate both political and economic aspects. This implies that if there is no political co-operation, then economic co-operation between British-Hong Kong and China will be difficult. Beijing further said that the three-tier representative structures would be scrapped in 1997. The message sent to the Hong Kong people was that support for a democratic structure would be doomed to failure. Another message to Hong Kong said that all contracts and laws had to be endorsed by China in order to be effective after 1997. This means that China would be the final sovereign master to which Hong Kong businessmen and investors should pledge their loyalty. China's intention has been to make the Hong Kong administration a lame-duck government and to isolate it from the rest of society.

In order to strengthen its exercise of sovereignty, China has pursued a united front strategy through the following channels in Hong Kong. The New China News Agency (Hong Kong branch) acts as a propaganda unit to relay the messages of the Chinese leaders to the Hong Kong people. The Hong Kong representatives of China's National People's Congress (NPC) and the Chinese People's Political Consultative Conference reflect the selected views of the Hong Kong people to China. The Federation of Trade Unions, the largest trade union in Hong Kong in terms of affiliated membership, is responsible for organizing the workers. The Democratic Alliance for the Betterment of Hong Kong (DAB), a pro-China political party, has attempted to seize as many seats as possible in the three-tier representative councils.

China's co-option of élites has been achieved through the appointment of conservative leaders such as the Hong Kong Advisers and District Advisers. The PWC has been formed to prepare for the establishment of the first SAR government. The One-Country Two-Systems Economic Research Institute was set up to analyse the economic and political situation in Hong Kong. The Bank of China (Hong Kong branch) and other Chinese-owned companies can influence the economy of Hong Kong through their massive investments in the local economy. Since 1994, the Bank of China has been authorized to issue Hong Kong banknotes. The two

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pro-China newspapers, *Da Kung Bao* and *Wen Wui Bao*, sustain a stable readership and circulation in Hong Kong. In addition, China has fully utilized its official positions in the Joint Liaison Group, the Land Commission, and the Airport Commission to exert its views on Hong Kong. Thus, a battle has already started between China and the democrats.

Prospects for Democracy

The results of past elections and surveys could serve as barometers to reflect the level of support for democracy given by the population, and the political strength of the democrats in the three-tier representative institutions. The democrats won a landslide victory in the Legislative Council's 1991 elections. They also won the by-election of the Shatin District Board held in December 1993. The results of various opinion polls seem to reconfirm the continuing support for democracy by the people of Hong Kong. A survey by the *South China Morning Post*, conducted in December 1993, found that only 20 per cent of the respondents did not support the use of the single-seat single-vote system for the direct election of the Legislative Council.[8] The Social Science Research Centre of the University of Hong Kong conducted another survey in June 1994, which revealed that "a majority of the respondents favoured more democracy instead of convergence of the political structure with the Basic Law in designing the composition of the 1995 legislature".[9] The same organization also disclosed its findings in July 1994 that the degree of support for Governor Patten remained stable, although it dropped slightly from 59.6 per cent to 56.2 per cent.[10] A joint research survey by the University of Science and Technology and the Hong Kong Baptist College revealed in April 1994 that 60 per cent of the respondents were satisfied with the performance of the Hong Kong Government, while less than 30 per cent of the respondents were satisfied with the performance of the Chinese Government.[11]

Although the results of these surveys cannot be absolutely accurate, they are signs that the democrats are in a better position than the pro-China conservatives under the existing pro-democratic and anti-China environment. If public opinion does not fluctuate widely in the coming year, the democrats will be able to control the seats of the three-tier structures. As such, the democrats will become a formidable force in the political system. As they resist Chinese intervention in Hong Kong's internal affairs, they will pursue a hard line against China during the period of political transition. However, China has decided to demolish the existing political system after 1997 and to hold new elections according to another set of rules. China has even indicated that some existing members of the Legislative Council cannot be members of the SAR Legislative Council

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because of their anti-China attitude and behaviour. Thus arises the question: How will China exercise its sovereignty in Hong Kong after 1997?

The answer to this question will perhaps give some indication about the prospects for democracy in Hong Kong. There are two possible scenarios with regard to the Chinese exercise of sovereignty in Hong Kong. The first is that China will trenchantly suppress the democratic forces through the demolition of the pre-1997 political structures, and even arrest leading democrats. China will then establish a pro-Beijing power circle to govern Hong Kong. Exercising Chinese sovereignty in this way will, however, exert a high economic cost for China. At present, Hong Kong has played important roles as financier, trading partner, and investment centre for China. For instance, Hong Kong has provided about 60 per cent of the total foreign investment in China from 1979 to 1990.[12] In Guangdong province, investment from Hong Kong constitutes US$5 billion out of a total foreign investment of US$8 billion. Some 3.7 million Chinese labourers work for industrial firms owned by Hong Kong businessmen. Hong Kong companies have also invested US$800 million in Shanghai, representing 28 per cent of total foreign investment in that city. Hong Kong has imported an average of US$37.6 billion worth of goods from China every year. China has also invested about US$20 billion in Hong Kong in the form of properties, equity investments in numerous firms, and in listed securities.

However, all these economic benefits and assets that China enjoys will be lost if Hong Kong experiences political instability. This will certainly arise if the Chinese Government violently suppresses democracy in Hong Kong. It is possible that the democrats will mobilize a sizeable number of supporters to resist Chinese political repression. Rallies, mass demonstrations, and protests will be organized. Thus, routine economic activities will be disrupted; investment confidence will disappear; and foreign and local capital will flee Hong Kong. Even if the activities of the democrats and their supporters are successfully suppressed, the general population will distrust the SAR government backed up by China. One survey has found that the general public feels that the Chinese-appointed PWC cannot be trusted and is unrepresentative.[13] Thus, a legitimacy crisis for the SAR government might well occur. It will be wrong to assume that the people of Hong Kong have been inert and apathetic in recent years. Various studies show that the population in general is becoming participative and alienated.[14] Thus, Chinese suppression of democracy will result in both political and economic instability.

The second scenario is that China exercises its sovereignty through limiting the progress of democratization but allowing the democrats to survive. This means that China will adopt a moderate attitude on the

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development of democracy within a prescribed framework. In order to maintain Hong Kong's economic prosperity and to use Hong Kong as a base for China's modernization, China may be willing to compromise with the democrats on a number of reforms. At the same time, China will continue to strengthen its links with the general population and with pro-China forces, including the DAB, conservative businessmen, and leftist trade unions to balance off the democrats. What China hopes to achieve is to gain the support and respect of the people of Hong Kong on the one hand and to isolate the democrats on the other. By changing the image of China from a militant to a rational actor, the pro-China forces might be able to get a sizeable number of seats in the three-tier representative organs through the moderate democratic structures. In this case, democracy will survive in Hong Kong but in a limited form.

Conclusion

Democratization in Hong Kong poses a serious challenge to the exercise of Chinese sovereignty. It weakens the Chinese leadership in the island, on the one hand, and even threatens the communist regime on the mainland on the other. As China will be the final sovereign master of Hong Kong, its policy and attitude will directly affect the development of democracy in the SAR. Mutual distrust between the leaders of China and Hong Kong will certainly retard or even kill the development of democracy in the territory. Mutual restraint could perhaps allow some chance for democracy to develop in Hong Kong. This means, on the one hand, that China restrains from exercising too much control over Hong Kong in exchange for economic prosperity and, on the other, that Hong Kong restrains from influencing the political affairs of the communist regime on the mainland in exchange for gradual democratization. In the political context of Hong Kong, rapid democratization seems to be impossible. Rather, the path of democratization in Hong Kong will be slow and characterized by occasional conflicts between the sovereign master and the people.

NOTES

1. See Brian Hook, "Political Change in Hong Kong", *China Quarterly* 136 (1993): 840–63; and Gerald Segal, "A Clearer Fate for Hong Kong", *World Today* 50, no. 2 (1994): 36–39.
2. Speech made by Cheung Man-kwong in the Legislative Council debate on the constitutional package on 12 November 1992. Cheung is a member of the UDHK.
3. *Hansard* (1991–1992) (Hong Kong: Government Printer, 1992), p. 394.
4. *South China Morning Post* (Hong Kong), 30 June 1994, p. 6.

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5. Ibid.
6. Lu Ping made this statement during his visit to Hong Kong in May 1994. For details, see *Express* (Hong Kong), 7 May 1994, p. 2.
7. For details, see *South China Morning Post* (Hong Kong), 18 June 1994, pp. 1–2.
8. For details of the survey, see *South China Morning Post* (Hong Kong), 5 December 1993, p. 12.
9. *South China Morning Post* (Hong Kong), 25 June 1994, p. 2.
10. See *Express* (Hong Kong), 8 July 1994, p. 2.
11. *Express* (Hong Kong), 1 April 1994, p. 4.
12. Y.W. Sung, *The Economic Integration of Hong Kong with China in the 1990s* (Toronto: Joint Centre for Asia-Pacific Studies, 1992), p. 11.
13. This survey was conducted by the Hong Kong Policy Observers. For details, see *Express* (Hong Kong), 10 January 1994, p. 2.
14. See J. Lam, "The Political Culture of Voters of Professional and Geographical Constituencies of the Legislative Council in Hong Kong", *Politics, Administration, and Change* 19 (July–December 1992): 40–53. See also S.K. Lau and H.C. Kuan, *The Ethos of the Hong Kong Chinese* (Hong Kong: The Chinese University Press, 1988).

JERMAIN T.M. LAM is with the Department of Public and Social Administration, City University of Hong Kong.

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China's Defence Modernization: Implications for Asia–Pacific Security

JING-DONG YUAN

Recent discussions of post-Cold War Asia–Pacific security have focused on China's defence modernization as constituting a major source of regional instability. It has been suggested that China's military build-up might upset the region's strategic balance, touching off an arms race, and increasing the likelihood of force being used to resolve territorial disputes over the Spratly Islands. This article argues that alarm about the "China threat" tends to overestimate the significance of China's recent acquisitions of Russian weaponry and fails to take into account internal and external factors that constrain the pace and scope of Chinese defence modernization.

China's latest drive for defence modernization has been the focus of much media reportage and academic analysis. It has been suggested that Beijing's military build-up marks "a deliberate campaign by the People's Liberation Army (PLA) to transform its military force into a regional, perhaps even global, power"[1] and reveals the middle kingdom's aspirations for regional hegemony.[2] Likewise, many analysts have concluded that China's increased defence expenditure and recent acquisitions of Russian weaponry are clear indications that Beijing intends to fill a power vacuum in the region as the United States and the former Soviet Union either withdraw or reduce their presence; that an arms race in the region will set in as countries scramble to improve their defence capabilities in an increasingly uncertain environment; and that China may be more likely to resort to force in settling territorial disputes in the South China Sea.[3]

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In short, a militarily stronger China will upset the regional balance of power and have serious implications for security in the Asia–Pacific.

These concerns need to be addressed. What is more important, however, is to put China's defence modernization efforts into proper perspective. Specifically, one needs to carefully examine China's security perspectives and changing defence doctrine since the mid-1980s to have a better understanding of the nature and direction of its defence modernization. Furthermore, one must also take note of the internal and external factors that provide the opportunities for, and impose constraints on, the scope and pace of China's military build-up. It is within such broader contexts that the security implications of China's defence modernization for the Asia-Pacific region should be addressed. This article argues that China's defence modernization should be viewed as a continuing, long-term process to redress some of the PLA's deficiencies rather than being a premeditated Chinese design to fill a so-called "power vacuum" in post-Cold War Asia–Pacific. It also argues that there are limitations to the scope and pace of the Chinese military build-up; that the Asia–Pacific arms build-up represents a simple defence modernization process made possible by the region's continuing economic prosperity and a buyer's market in armaments rather than being fuelled by Beijing's latest weapons acquisitions; and that there remain strong inhibiting factors to Beijing using force to resolve territorial disputes.

China's Changed Security Perspective

From the late 1960s to the early 1980s, China considered the Soviet Union as the most serious threat to the country's security. The possibility of "an early, major, and nuclear war" with the Soviet Union was China's paramount security concern and underpinned much of its strategic thinking and military planning. This threat perception led to efforts to improve the country's nuclear capabilities and included an all-out preparation for Soviet invasion, to be countered by "people's war".[4] Meanwhile, China sought to improve its relations with the United States and other Western countries in order to create a counterweight against the Soviet threat.[5]

China's threat perception began to change in the early 1980s. Assessing the developments in superpower relations and judging the difficulties the Soviet Union was facing at home and abroad, the Chinese leadership concluded that an imminent Soviet attack on China was less likely. Consequently, national priorities shifted from preparation for war to economic development and peacetime construction. At an enlarged meeting of the Central Military Commission (CMC) held in May–June 1985, it was decided that defence modernization should be conditioned by, rather

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than take precedence over, the pace of overall economic development. Priorities would go to modernizing the country's agriculture, industry, and science and technology. It was hoped that as the economy developed, more resources would be available for improving the capabilities of the armed forces.[6] What followed was a reorientation of China's defence modernization programmes, taking into account both the long-term objectives and the immediate tasks of redressing some of the problems the PLA was facing in doctrine, force structure, operational training, and weapons procurement.

An initial change involved doctrinal re-evaluation. Given that large-scale land invasion was unlikely, that the country's priority was economic development, and that defence budgets were limited, a continued emphasis on land forces preparing for a war of attrition was clearly misplaced, both in strategic thinking and resource allocation.[7] The task of defence construction, therefore, shifted from preparing for "an early, major, and nuclear war" to building a modern defence force that would maintain capabilities to deter major aggression and develop the mobility and flexibility to be certain of winning small to medium-scale wars and to prepare for, or deter, medium to large-scale wars. What emerged was the doctrine of "peripheral defence", which called for limited but effective military operations in regions bordering China.[8]

With the traditional doctrine of "people's war" replaced by a strategy, first of "people's war under modern conditions" and then of "peripheral defence", a second task of defence modernization was the restructuring of the military to make it a leaner, better equipped force. In 1985, the CMC announced a reduction of forces of one million personnel. The eleven Military Regions (MR) were subsequently reduced to seven. At the same time, the traditional field armies based on infantry were reorganized into group armies with integrated infantry, artillery, tank, special warfare, and support units.[9]

This doctrinal change has resulted in new missions for the military. One indication of this has been the increasing importance assigned to the People's Liberation Army Navy (PLAN).[10] As early as the mid-1980s, the then Commander-in-Chief of the PLAN, Admiral Liu Huaqing, was quoted as saying that "as the strategic position of the Pacific is becoming more important. . .and as China is gradually expanding the scale of its maritime development, the Chinese Navy will have to shoulder more and heavier tasks in both peacetime and war".[11] The Chinese Navy was to be given the task of broadening its traditional mission of coastal defence to that of force projection into the South China Sea and beyond. As one analyst put it, "[w]hereas previously the navy had reacted only when encroachments had taken place, the new, more aggressive offshore defence strategy

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calls for preventing incursions by defending as far forward of the 200 km limit as possible".[12] More recently, Chinese naval authorities have reportedly approved "a long-term strategic development plan" that will guide naval modernization until the year 2000. According to the plan, priority would be given to a "positive" offshore naval capability to include "the development of warships, submarines and aircraft" — that is, a navy which can take offensive action and one which is not simply defensive or "passive".[13]

The Chinese Navy in recent years has been actively engaged in long-distance training cruises, large-scale maritime exercises, sometimes involving more than 100 naval vessels in the South China Sea, the building of naval bases and airstrips, and the establishment of a marine corps. In 1984, two PLAN auxiliaries travelled some 13,000 nautical miles across the Pacific Ocean to Antarctica, transporting construction materials and equipment for the establishment of "The Great Wall Scientific and Experimental Station" on King George Island. In 1990, the PLAN's East Sea Fleet conducted a 120-day training cruise to the South China Sea, covering a distance of some 57,000 nautical miles. In addition, the Navy has been building forward operating bases in the Paracel and Spratly Islands; especially notable in this regard has been the base on Woody Island, about 400 miles east of Vietnam. The Woody Island base permits Chinese aircraft, including the Navy's B-6 (Tu-16) bombers to range over the South China Sea. And Chinese military sources have reportedly confirmed plans to build three large naval bases along China's eastern seaboard by 1998. The new bases will provide key logistical support to a new-look Chinese fleet capable of blue-water operations.[14] China has, since the early 1980s, also set up a specialized amphibious assault force modelled along the lines of the U.S. Marine Corps. It is estimated that China now possesses a well-trained and highly capable amphibious force capable of responding to crises at short notice.[15]

The PLA's weapons procurement patterns have also undergone significant changes in recent years to meet the requirements of new missions. While a crude and limited nuclear force remains the strategic wherewithal to deter and, if necessary, retaliate against any aggression of a scale that threatens vital national interests, such a force is hardly of use in resolving small-scale conflicts. Where conventional weapons are crucial and do make a difference in limited, low-intensity conflicts, the deficiencies of the PLA's equipment are obvious and were made all the more glaring when seen against the type of weapons used by the U.S. and allied forces during the Gulf War of 1991. However, resource constraints have prevented a quick fix in equipment deficiencies.[16] Consequently, China's defence modernization in recent years has been highly selective, with a concentration of effort on the navy and air force and on a number of main systems.

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These consist of submarines, new-generation destroyers, frigates, and corvettes; aircraft (fixed and rotary wing), fighter jets with powerful radar, airborne early-warning (AEW), command and control, and in-flight refuelling equipment and technology; weapon suites (guns, ammunition, torpedoes, cruise missiles, and modern surface-to-air missiles); and sensor arrays (radar, sonar, communications and navigation equipment).[17]

The Chinese Navy has embarked on an equipment modernization programme that includes the procurement and commissioning of naval vessels such as Han class nuclear-powered submarines, Ming class diesel-electric submarines, Luhu class guided-missile destroyers and Jiangwei class guided-missile frigates. Meanwhile, the Navy's aviation service has also been strengthened with the addition of 70 Harbin H-5 maritime strike aircraft with a range of more than 2000 km, 50 Harbin Z-9A Dauphin 2 shipborne helicopters, and the modernization of 30 B-6 bombers.[18]

The air force has also received a major weapons upgrade. Of particular significance has been the upgrading of China's frontline bomber, the B-6. The latest version, the B-6D, incorporates electronic navigation equipment, two long-range (32 kilometres, Mach 1.4) air-to-surface or anti-ship missiles, and electronic counter-measures (ECM) equipment. The extension of the reach of Chinese air power will certainly be improved with the acquisition of a mid-air refuelling capability. The Chinese have tried to acquire technology for mid-air refuelling from various Western countries in recent years but have not succeeded because of the latter's strategic export controls, which block sales of high-technology equipment to communist countries. Other important Chinese air force developments include the build-up of an air transport fleet, the introduction of an airborne early warning system and improvement in missile technology.[19]

It should be clear from the above discussion that China's defence modernization has largely focused on redressing some of the PLA's obvious inadequacies. With defence budgets maintained at near zero growth for the much of the 1980s, only selective programmes could be undertaken while overall equipment improvement had to wait for further increases in defence spending. What the modernization programmes have achieved are the reorganization of the PLA force structure, improvement in personnel and operational training, and a redefinition of military missions under a new strategic environment. It is worth noting that the progress in defence modernization has not narrowed, but rather widened, the PLA's mission-equipment gap, which is not likely to be bridged in the near future.

The Russian Connection

The resumption of Sino–Russian military relations in the past few years

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has resulted in the following four developments: direct Chinese purchase of advanced Russian weaponry; Russian defence technology transfers to China; Sino-Russian defence equipment co-production; and an exodus of Russian experts and technicians to work in Chinese defence industries.

Since 1992, China has acquired a number of major Russian weapon systems worth close to US$2 billion, including 26 Su-27 Flanker long-range strike fighters, 24 MiG-31 long-range interceptors, 10 Ilyushin II-76 medium/long-range transport planes, and an unspecified number of MiG-29 Fulcrum interceptors and Su-24 ground attack aircraft.[20] Talks on Sino-Russian aircraft deals were initiated in early 1990 during visits by high-ranking Chinese military delegations. It was during these visits that China expressed an interest in several Soviet aircraft models, such as the MiG-29 and the Su-24 Fencer ground attack aircraft.[21] The PLA eventually settled on the Su-27, the best fighter/ground attack aircraft in the Russian inventory. It has been reported that China has negotiated the purchase of at least 52 Su-27s and may even be interested in their production. In addition, China might also purchase a more advanced aircraft, the Su-35 Super Flanker.[22]

China is also believed to have bought Kamov (Ka-27) anti-submarine warfare helicopters for its navy, 100 Klimove RD-33 aircraft engines (which powers the MiG-29 Fulcrum), A-50 airborne warning and control aircraft, and long-range early warning radar systems. In addition, the Russians have reportedly offered to sell the Chinese supersonic Tu-22M Backfire long-range bombers. The Tu-22M has a radius of more than 4,000 kilometres, and can carry heavy bomb and missile loads. China is also negotiating with Russia the purchase of the SA-10 Grumble (S-300) air-defence missile system. Each SA-10 battery is equipped with eight missiles, has a range of up to 100 kilometres, and can be deployed to provide protection against either long-range ballistic missiles, cruise missiles, or aircraft. China has reportedly already bought four batteries of SA-10 launchers and about 60 missiles for testing, and additional orders may be placed in the near future.[23]

The Chinese Navy has recently acquired four Kilo class conventional submarines from Russia.[24] The Kilos, with a range of 9,650 kilometres and a capacity to stay out at sea for up to 45 days, would add considerable strength to the Chinese submarine fleet, now largely composed of obsolete 1950s-generation Whiskey and Romeo class boats, by providing protection for Chinese surface vessels that are increasingly operating at longer distances from their home-ports.[25] China is reportedly also considering the possibility of purchasing an aircraft carrier and engaging in the development of vertical take-off and landing aircraft.[26] There are unconfirmed reports that the Chinese have held talks with Russian and Ukrainian officials on acquiring the 67,500-ton aircraft carrier *Varyag*.[27] The *Varyag*

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can carry up to 18 Su-27s or 25 MiG-29s, and its purchase, if realized, would greatly boost China's ambitions to deploy a blue-water fleet and become a great naval power in the Western Pacific.[28]

In addition to direct purchases of Russian conventional weapons, China has also been expending efforts to obtain key elements of Russian defence technologies in such areas as avionics, missile guidance systems, cruise missiles and missile testing, and anti-submarine warfare. China and Russia have been negotiating several retrofitting, upgrading, co-production, and even co-development arrangements. During his visit to China in December 1992, Russian President Boris Yeltsin predicted that there would be tremendous prospects for Sino-Russian military co-operation in terms of both Russian weapons transfers to China (worth US$1.8 billion in 1992) and Russian assistance in overhauling China's 1950s-era Soviet weapons and defence production facilities. In addition to some 24 agreements covering cultural, trade and scientific exchanges, food credits, the construction of a nuclear-power plant and the reduction of troops along the Russian-Chinese border, the two sides also signed a memorandum of understanding (MOU) that laid down the general principles for closer co-operation in military and technological projects.[29]

To date, the most prominent projects in Sino–Russian military ties involve the co-production/co-development of fighter aircraft. The Russians have offered to develop an aircraft for China with capabilities falling midway between the MiG-29 fighter and the MiG-31 high-altitude interceptor. China has reportedly offered the airframe of its F-10 fighter as the basic design for the new aircraft. It has also been reported that the Russians might be willing to provide important technologies, notably aircraft engines and radar-evading stealth technology to the Chinese. The new fighter would take about five years to develop and Russian aerospace companies would provide 60–70 per cent of the technical input and design work, including its engines which would be the same as those used in the MiG-31.[30]

China is also negotiating an agreement with Russia to co-produce MiG-31s. At a plant in southwestern China (Guizhou Province), the Chinese would assemble 24 kits of the MiG-31, followed by the co-production of 48 more aircraft, with some of them shipped back to Russia. The project would require a trained work-force of about 1,500 Russian engineers and technicians who would help the Chinese revitalize their outdated aircraft manufacturing plant. The MiG-31s are likely to function as mini-AWACS (airborne warning and control system) aircraft capable of directing aerial attacks of fighter jets like the Su-27, which China has already bought, and might eventually fit into a comprehensive air defence network that China is interested in developing with the Russians.[31]

Russia is also believed to be helping China with the technology to

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enrich uranium. The United States is concerned that China will use the technology to improve the design of its nuclear-power plants, making them more attractive to Third World buyers and further undermining efforts to stop the spread of nuclear weapons. In addition, there are indications that China is aggressively pursuing Russian missile technology, including that for the SS-25, Russia's most modern, mobile intercontinental ballistic missile. There have also been discussions between Russian and Chinese officials about the joint production of tactical missiles and other weapons systems in China.[32]

The most significant aspect of this re-emerging Sino-Russian military relationship that is likely to have a long-term impact is the massive exodus of Russian defence scientists, engineers, and technicians who are now working in China's defence industries. It has been reported that China has set up recruiting offices inside Russia to hire Russian technicians to work in Chinese defence plants, many of which were built with Soviet assistance during the 1950s. There are also reports that as many as 1,000 Russian defence scientists and technicians have travelled to China since 1991 on defence-industrial exchanges. Meanwhile, about 300–400 Chinese defence specialists are now working in Russian aerospace research and development centres.[33]

Features

China's recent arms acquisitions have several distinctive features. First, the amount of money spent and the number of weapons acquired are unprecedented and appear all the more significant at a time of reduced threat to China's national security. This is attributable in part to China's fast growing economy, which makes large arms acquisitions affordable, and in part to the ascendance of the military which, after years of accepting cutbacks, is now demanding that defence modernization be given more prominence in China's overall modernization drive. As one analyst has pointed out: "Current trends towards the acquisition of a significant power-projection capability can thus be at least partly understood as an expression of these emergent forces [that is, military figures in the party echelon]".[34] Yet another factor is the rock-bottom prices a desperate Russia has been willing to offer for its weapons and China's ability to negotiate favourable payment arrangements.[35]

A second feature of Chinese weapons acquisitions is the sophistication of weapons being purchased. This has resulted in a leap in the improvement to the PLA's armoury and will likely contribute to its capabilities in several key areas, such as force projection and logistical support.

Finally, and with long-term significance, is the issue of technology

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imports and transfers which would further upgrade China's defence industries in years to come. China has been keen on securing key defence technologies from Russia to revitalize and improve its vast defence industries built in the 1950s and 1960s. In the long run, this may translate into an ability to manufacture and market weapons of higher quality as well as to meet the procurement needs of the PLA.

Arms and Influence: Implications for Asia–Pacific Security

China's defence modernization programmes, in particular its recent weapons acquisitions, have led analysts to raise at least three specific concerns for Asia–Pacific security:

- that Beijing's military build-up will likely upset the regional balance of power and pose security threats to its neighbours;
- that a potential arms race in the region may set in, allegedly in response to China's military build-up; and
- that China might resort to force to resolve territorial disputes in the South China Sea.

While there is no question that China has in the past few years strengthened its military capabilities, whether or not this has fundamentally changed the regional military balance remains to be seen. Although China clearly has the numerical upperhand in terms of force levels and equipment, in the areas of sophisticated, high-performance weaponry and support systems, the PLA is still lamentably under-equipped. Indeed, China's recent acquisitions of Russian weapons have not altered the military equation in any significant way and its improved capabilities will, in all likelihood, be counterbalanced by the recent arms imports of other players in the region, such as Taiwan's 150 F-16s and 60 Mirage-2000s, Malaysia's MiG-29s and F-18s,[36] and Japan's much more sophisticated weapons and support systems.[37] In addition, one also has to take into account the many years of training and co-ordination between services that would be required for the PLA's newly-acquired weapons to be truly operational. For the time being, the PLA's power projection capabilities remain limited.

Nor is it certain that the scope and pace of China's defence modernization programmes can be maintained to the extent that they will drastically alter the military balance in the short-term and constitute a serious security threat to neighbouring countries. These remain constraints in terms of resource limitations and the ease with which foreign advanced weaponry can be readily acquired.

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Domestic resource limitations will continue to act as a cap on the scope and pace of China's defence modernization. Notwithstanding the recent increases in defence budgets, military spending remains insufficient to fundamentally transform the PLA into a fighting force armed with sophisticated equipment. Indeed, even arming the Chinese military with the kinds of equipment equivalent to those possessed by such Asia–Pacific neighbours as Japan, South Korea, Taiwan, and some of the ASEAN states might well strain Beijing's financial resources. For China to build armed forces with superpower status constitutes a monumental undertaking and is simply out of the question. Even if one is to put China's actual defence expenditure at the US$12–15 billion range (as opposed to the official figure of US$7.5 billion), it is still roughly the same level as that of South Korea (US$12 billion) and Taiwan (US$10.5 billion), and well below that of Japan (US$40 billion), and certainly minuscule compared to the United States (US$270 billion).[38]

It is within such a context that China's recent weapons acquisitions from Russia must be viewed. In this regard, China's "buying spree" might only be a temporary phenomenon rather than a long-term trend. Firstly, there are financial limitations that constrain China's ability to make large-scale purchases. Given the size of the PLA and the number of areas that need improvement in equipment, recent defence budget increases are hardly adequate. And China's double-digit inflation rate might well absorb a large portion of the defence outlays.[39] Under such circumstances, arms purchases of a scale seen in the recent past might only be a one-time occurrence. In that regard, the purchase of an aircraft carrier is simply beyond the current Chinese defence budget. And even if China were able to make the purchase, it would still require a tremendous effort to make the carrier operational. As one observer put it: "Buying Su-27s is one thing, especially when they are so cheap; buying a modern navy is quite another, and a far less likely objective".[40]

There are external constraints as well. While Russia's defence industries would very much like to sell their products just to stay fiscally afloat, policy-makers in Moscow might not allow commercial pursuits to overrun security and foreign policy considerations. Russian Foreign Ministry officials, for example, have already shown their reluctance to approve the sale of major warships to China because of regional concerns over the growing power of the Chinese Navy. Furthermore, despite the much publicized Sino–Russian aircraft co-production project, there is still the unresolved issue of how to divide production shares. While the Russians would prefer to have components manufactured in their under-utilized defence factories and to ship them to China for assembly, the Chinese might be equally insistent on production in their own plants.[41] Finally, while the demise of

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the Co-ordinating Committee for Multilateral Export Controls (COCOM) might open the door for greater technology flows, the continued vigilance by the West over military-related technology transfers might rule out the possibility of China acquiring advanced defence equipment; nor is a return to the limited military relationships between China and other Western countries prior to 1989 a near-term prospect. Clearly, given that China relies on Western and Russian equipment and technology for its defence modernization, its scope and speed will continue to be constrained by such external factors.

That China's recent military build-up might touch off a destabilizing arms race in the Asia–Pacific is another concern of some analysts. Indeed, in contrast to a global decline in both military expenditures and arms imports since the late 1980s, Asia–Pacific countries have recently increased their defence budgets and have been engaged in military modernization efforts. According to available data, apart from the Middle East, Asian countries have dominated conventional arms imports over the last five years. In 1989, developing countries in the Asia–Pacific region took up 59 per cent of the imports of major weapon systems by all developing states. In 1991, Asia's total defence spending amounted to about US$85 billion (1988 dollars), which was more than 25 per cent of what the whole world spent that year (excluding the United States and the Soviet Union), and Asian countries accounted for 35 per cent of all global imports of major weapons, more than any other region including Europe. Asia's fast-growing economies have made it possible for countries in the region to devote an ever increasing amount of their wealth to their defence forces. The next few years might witness continued increases in Asian military spending, probably reaching US$130 billion this year (1995).[42]

Asian nations are acquiring more advanced fighter planes and expanding their naval forces. Taiwan recently purchased 150 U.S. F-16s, 60 French Mirage 2000-5s, and ordered six Lafayette class frigates from France. Malaysia is buying 20 MiG-29 fighters from Russia and has signed an agreement to buy four submarines and 24 Hawk fighters from Britain. Singapore recently reconfigured eight F-5E jet fighters to a maritime fast reconnaissance role and has armed a number of its A-4 Skyhawk light bombers with anti-ship missiles. Singapore is also negotiating to purchase F-16s from the United States, while Thailand has plans to buy up to six squadrons of F-16 fighters from the United States. Indonesia, meanwhile, is seeking to buy F-16s from the United States, negotiating the purchase of 40 Hawk fighters from Britain, and has bought 39 ships from the disbanded East German Navy. And, finally, the Philippines has signed a contract for Israeli Kfir fighters and L-39 trainer aircraft from Czechoslovakia, and is seeking "a review of the 1951 Mutual Defence Treaty with

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the U.S. to ensure that the section of the Spratlys claimed by Manila was covered by the pact".[43]

To attribute the on-going arms build-up in the Asia–Pacific region solely to China's recent military modernization might be misleading. Indeed, the recent arms build-up might represent a cycle of equipment replacement and upgrades. There are a number of contributing factors. The first and foremost is the need to upgrade existing weapons systems and retire obsolete equipment. Moreover, a buyer's arms market, characterized by the availability of cheap Russian weapons and acute competition between major (and mostly Western) defence manufacturers, has created an optimal opportunity to acquire both advanced weaponry and defence technologies. There is even the attendant prestige of simply possessing sophisticated, high-technology defence equipment. These factors may all go a long way towards explaining the surge of arms acquisitions in the Asia–Pacific.[44]

Clearly, the most worrisome aspect of China's defence modernization relates to the means whereby existing territorial disputes in the region might be resolved. In this regard, the acceleration of military modernization in the Asia–Pacific is regarded by some as all the more destabilizing, given the fact that unlike other heavily armed regions in the world (Europe and the Middle East), no comparable regional arms control talks and confidence-building measures (CBMs) exist in the Asia–Pacific, and that territorial disputes remain unresolved.

The Spratly Islands, currently being claimed by China, Vietnam, Malaysia, Brunei, the Philippines, and Taiwan, are said to contain abundant oil, gas, phosphate, and rich fish stocks, and have strategic importance as they straddle vital trade routes through which Japan brings most of its oil imports from the Middle East and Southeast Asia, and can provide outposts (for example, forward basing and logistics support) for power projection into Southeast Asia. Chinese forces took control of several of the disputed Spratly Islands in March 1988 and have since expanded their military presence to include seven small atolls. At present, Vietnam has garrisons on twenty-four islands and atolls, the Philippines on eight and Malaysia on three. Taiwan also has troops on two islands.[45] In addition, China and Japan also dispute control over the Senkaku (Diaoyutai) Island group in the East China Sea.[46] And, as each claimant has moved to establish more military outposts on the islets, the possibility of conflict has grown.[47]

China has always claimed sovereignty over the Spratlys. In 1992, China's National People's Congress passed a law claiming the entire Spratly archipelago as Chinese territory. According to Wu Jianmin, a Chinese Foreign Ministry spokesman, "It is China's view that there is an

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abundance of historical records that show those islands are Chinese territory since ancient times. Those records are indisputable".[48] The importance of the island group is obvious. By claiming sovereignty over the Spratly Islands, China can effectively secure an extended area rich in sea resources, which might prove vital for the country's continued economic development.[49] And China has already acted to assert its sovereignty over the Spratlys. In 1992, it granted a contract to a U.S. company for oil exploration and drilling activities near the disputed Spratly Islands and reportedly told Randall Thompson, chairman of Crestone, a Denver-based company working with the China National Offshore Oil Corp, that China would use its "Navy to back up exploration and prevent military interference from Vietnam".[50]

China's firm stand on the sovereignty question and occasional use of force to back up its claims have raised concern among Southeast Asian countries.[51] To defuse criticism of its action and to reassure its ASEAN neighbours, China has proposed to temporarily shelve the sovereignty issue to a later date to jointly develop the islands' resources, to renounce the use of military force, and to strive for a peaceful settlement through negotiations.[52] On visits to Malaysia and the Philippines in December 1990, Chinese Premier Li Peng assured his hosts that China would not pose any military threat to the region and hoped that "a solution to the Spratly dispute could be found at an appropriate time".[53] China signed and cautiously endorsed some of the principles of the 1992 Manila Declaration calling for a peaceful resolution of the territorial disputes in the South China Sea.[54]

On their part, the ASEAN member states have tried to adopt strategies to reduce the possibility of conflict. Specifically, they have sought to enmesh China in a web of interdependent relationships that would tie China to the region economically. In addition, the ASEAN states have sought and welcomed China's participation in various regional security dialogues and initiatives.[55]

Given China's recent military build-up and its firm stand on the disputed territories in the South China Sea, the concerns over Beijing's intentions in the Asia–Pacific region are understandable. However, to hastily conclude that China is set on a confrontational course with other Spratly claimants might be simplistic notwithstanding its invasion onto the Philippines-claimed Mischief Reef in early 1995. Whether or not China will use force to settle the territorial disputes in the South China Sea might depend on its perception and calculation of both short- and long-term costs and benefits, and the likely international repercussions resulting from its use of force. China has adopted a "good neighbour" policy, seeking to establish and improve friendly relations with neighbouring countries, in

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particular the ASEAN states.[56] While Beijing might hope that its military muscle would deter any open challenge to its territorial claims, actual use of force is unlikely to be taken lightly not only because of the irreparable damage that such a course would inflict on China–ASEAN relations, which Beijing has painstakingly nurtured over the years, but also because of the international fallout that is certain to follow, including the damage to China's image in the Third World. It is worth noting that the only occasion China has resorted to force to exercise its claims over the disputed territories involved Vietnam, which lost Soviet support in the late 1980s and thus had been rather isolated. It is less imaginable that China will lightly use its force against the ASEAN states.[57]

Nor is a military showdown certain to end in China's favour.[58] Despite recent acquisitions, the PLA's equipment remains inadequate to overcome one major obstacle, geography. While other claimants are close to the disputed territories, the PLA has to operate at a relatively greater distance from the homeland.[59] The lack of an in-flight refuelling capability continues to constrain the ability of the PLAAF to operate effectively in the Spratly Islands. In any event, perceived Chinese power projection capabilities might be overstated.[60]

This is not to belittle the significance of China's military build-up. What is more important, however, are *intentions* as well as *capabilities*, and these need to be addressed. Some analysts suggest that a way to do so would be greater transparency in military intentions through the promulgation of a clearly defined defence policy. The "publication of a comprehensive and credible Chinese defense White Paper would be the best way to enhance regional security". Current Chinese intentions, they believe, are shrouded in secrecy and this only fans suspicions among the Southeast Asian countries.[61] In addition, various existing and proposed Asia–Pacific security dialogues and initiatives, such as the ASEAN-PMC (now in the form of the ASEAN Regional Forum) and the North Pacific Co-operative Security Dialogue, can also serve as multilateral fora and mechanisms for confidence-building that might help reduce, if not eliminate, misunderstanding between China and its Southeast Asian neighbours.[62]

Conclusion

This article has sought to place recent developments in China's defence modernization in proper perspective. It can be argued that Chinese defence modernization programme should be viewed as part of a gradual, long-term process, focusing mainly on the urgent need to redress some of the PLA's obvious deficiencies. While a decade of reforms has transformed the military into a better fighting force, the pace and scope of China's

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defence modernization have not fundamentally altered the military balance in the Asia–Pacific and, in all likelihood, will remain constrained by internal and external factors. Finally, it should be noted that rhetoric about the "China threat" and alarm over China's possible actions in relation to territorial disputes are simplistic and fail to take into account the constraints on freedom of action — politico-diplomatic as well as military-operational — that might influence China's calculation of costs and benefits. Nor do such assessments adequately explore other alternatives which, for reasons of space, this article cannot discuss in more detail but which are certainly necessary for a fuller understanding of the security situation in the Asia–Pacific region.

NOTES

1. Barbara Opall, "U.S., Allies Fear Chinese build-up", *Defense News*, 26 April–2 May 1993, p. 1.
2. A perusal of media reports readily finds such news headlines as, "China's Ominous Military Muscle", "Chinese Build-up of Forces Stirs Regional Concern", "China Moves to Fill Naval Power Vacuum", "China Raises Spratly Fear" to cite just a few.
3. Denny Roy, "Hegemon on the Horizon? China's Threat to East Asian Security", *International Security* 19, no. 1 (Summer 1994): 149–68; David Shambaugh, "Growing Strong: China's Challenge to Asian Security", *Survival* 36, no. 2 (Summer 1994): 43–59; Esmond D. Smith, Jr., "China's Aspirations in the Spratly Islands", *Contemporary Southeast Asia* 16, no. 3 (December 1994): 274–94; Larry M. Wortzel, "China Pursues Traditional Great-Power Status", *Orbis* 38, no. 2 (Spring 1994): 157–75.
4. Ellis Joffe, *The Chinese Army After Mao* (London: Weidenfeld and Nicolson, 1987), pp. 35–45; Ngok Lee, *China's Defence Modernization and Military Leadership* (Sydney: Australian National University Press, 1989), chap. 4.
5. See Robert S. Ross, ed., *China, the United States, and the Soviet Union: Tripolarity and Policy Making in the Cold War* (Armonk, New York: M.E. Sharpe, 1993).
6. Joffe, op. cit., chaps. 2 and 3; and Lee, op. cit., chap. 1.
7. Joffe, op. cit., chap. 4; and Lee, op. cit., chap. 5.
8. Sheng Lijun, "China's View of the War Threat and its Foreign Policy", *Journal of Northeast Asian Studies* 11, no. 3 (Fall 1992): 47–69; Department of Planning and Organization, Chinese Academy of Military Science, *On Study of War and Strategy* (Beijing: Chinese Academy of Military Science Press, 1988).
9. June Teufel Dreyer, "Deng Xiaoping and Modernization of the Chinese Military", *Armed Forces and Society* 14, no. 3 (Winter 1988): 215–31.
10. See Jun Zhan, "China Goes to the Blue Waters: The Navy, Seapower Mentality and the South China Sea", *Journal of Strategic Studies* 17, no. 3 (September 1994): 180–208.
11. Quoted in Bradley Hahn, "PRC Policy in Maritime Asia", *Journal of Defense and Diplomacy* 4, no. 6 (June 1986): 20. Liu currently serves on the all-powerful Central Military Commission as its executive vice-chairman.
12. Tai Ming Cheung, "China's Regional Military Posture", *International Defense Review* (June 1991): 620.

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13. Gary Klintworth, "China's Security Policy", in *Security and Arms Control in the North Pacific*, edited by Andrew Mack and Paul Keal (Sydney: Allen & Unwin, 1988), pp. 93–110.
14. Bradley Hahn, "Navy Pursues Major Maritime Role", *Pacific Defence Reporter* (February 1990), pp. 38–40; and "Chinese Navy to Expand", *Washington Times*, 12 January 1993, p. 7.
15. Bradley Hahn, "China: A Naval Transition", *Journal of Defense and Diplomacy* 6, no. 11 (November 1988): 6.
16. Rosita Dellios, *Modern Chinese Defence Strategy: Present Developments, Future Directions* (London: Macmillan, 1989), chap. 2.
17. Joris Janssen Lok, "Spratly Islands Rivalries Bring Regional Navies into Focus", *Jane's Defence Weekly* (hereafter cited as *JDW*), 22 August 1992, p. 19; and Hahn, "China: A Naval Transition", p. 6.
18. Michael Richardson, "China Raises Spratly Fears", *Asia-Pacific Defence Reporter* (February 1991), p. 16; and Lok, op. cit., p. 19.
19. Tai, op. cit., p. 618; Klintworth, op. cit., p. 106; and Charles Bichers, "Asia/Pacific Forces Leap Ahead with Advanced Fighters", *JDW*, 21 August 1993, p. 18.
20. Jim Mann, "Russia Boosting China's Arsenal", *Los Angeles Times* (Washington edition), 30 November 1992, p. 1; Tai Ming Cheung, "Loaded Weapons: China on Arms Buying Spree in former Soviet Union", *Far Eastern Economic Review* (hereafter cited as *FEER*), 3 September 1992, p. 21; idem, "China's Buying Spree", *FEER*, 8 July 1993, p. 24.
21. "China Seeking Soviet Fighters", *JDW*, 21 July 1990, p. 70. Chinese interests in and purchases of Soviet/Russian weapons date back even earlier. Indeed, according to the U.S. Arms Control and Disarmament Agency, the Chinese bought Soviet arms worth US$310 million during 1982–86 when the political relations between the two countries were still strained. This represents almost four times the amount China spent on arms purchases from the United States during the same period. And after Washington suspended the Sino-U.S. military co-operation programmes in the wake of the June 1989 Tiananmen incident, Beijing immediately turned to the then Soviet Union for capital and technology. See Sophie Quinn-Judge, "Cannon for Fodder: Soviets Set to Swap Arms for Chinese Food", *FEER*, 28 March 1991, p. 11; "China Seeks Aid from Soviets to Replace West Losses", *Washington Times*, 30 June 1989, p. 11.
22. See Bin Yu, "Sino-Russian Military Relations: Implications for Asian-Pacific Security", *Asian Survey* 33, no. 3 (March 1993): 307–8; David Boey, "Chinese May Choose Su-35 over MiG-29", *Defense News*, 28 March–3 April 1994, p. 14.
23. Keith Jacobs, "China's Military Modernization and the South China Sea", *Jane's Intelligence Review* (hereafter cited as *JIR*) (June 1992), p. 281; and Tai, "Loaded Weapons".
24. Robert Karniol, "China to Buy Russian *Kilo* Submarines", *JDW*, 19 November 1994, p. 1.
25. Tai Ming Cheung, "Sukhois, Sams, Subs: China Steps Up Arms Purchases from Russia", *FEER*, 8 April 1993, p. 23.
26. "Chinese Leader Urges Purchase of Carrier", *Washington Times*, 30 November 1992, p. 11.
27. William Branigin, "As China Builds Arsenal and Bases, Asians Wary of 'Rogue in the Region'", *Washington Post*, 31 March 1993, p. 21.
28. Gary Klintworth, "Latest Soviet Carrier for Beijing Fleet?" *Asia-Pacific Defence Reporter* (August–September 1992), p. 26.
29. Carey Goldberg, "Yeltsin Eager for Military Co-operation with China", *Ottawa Citizen*, 18 December 1992, p. A7; and Sheryl WuDunn, "Russia and China in Military Deal", *New York Times*, 19 December 1992, p. 6.
30. Tai, "Loaded Weapons".

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32. Michael R. Gordon, "Moscow is Selling Weapons to China, U.S. Officials Say", *New York Times*, 18 October 1992, p. 1; John J. Fialka, "U.S. Fears China's Success in Skimming Cream of Weapons Experts from Russia", *Wall Street Journal*, 14 October 1993, p. 12.
33. Jim Mann, "Russia Boosting China's Arsenal", *Los Angeles Times* (Washington edition), 30 November 1992, p. 1; Tai, "Loaded Weapons", p. 24; and Fialka, op. cit., p. 12.
34. Michael D. Swaine, "The PLA and China's Future", *FEER*, 4 March 1993, p. 25.
35. It has been reported that China would pay 65 per cent of the US$1 billion contract for the Su-27s in consumer products and the balance in hard currency. Tai, "Loaded Weapons", p. 21.
36. Paul Lewis and Barbara Opall, "Taiwan, Wary of China, makes Aircraft Deals", *Defense News*, 23–29 November 1992, p. 6; and Michael Mecham, "Malaysia Buys MiG-29s, F/A-18Ds", *AW&ST*, 5 July 1993, pp. 24–25.
37. Michael D. Swaine, "The Modernization of the Chinese People's Liberation Army: Prospects and Implications for Northeast Asia", *NBR Analysis* 5, no. 3 (1994): 14.
38. International Institute for Strategic Studies, *The Military Balance 1993–1994* (London: Brassey's, 1993); and "Russia Muscles In", *The Economist*, 17 July 1993, p. 33. On a per capita basis, China's defence spending stands at US$6, compared with US$1,000 in the United States and US$300 in Japan. See Chen Guoqing, "'China Threat' Rings Hollow", *Defense News*, 17–23 May 1993, pp. 19–20.
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40. Gerald Segal, "Russia and the Chinas: New Risks", *JIR* (September 1992): 416.
41. Tai, "Loaded Weapons", pp. 24, 26.
42. *SIPRI Yearbook 1992* (Oxford: Oxford University Press, 1992); *The Military Balance, 1991–1992* (London: Brassey's for the International Institute of Strategic Studies [IISS], 1992); Michael T. Klare, "The Next Great Arms Race", *Foreign Affairs* 72, no. 3 (Summer 1993): 136–52; Desmond Ball, "Arms and Affluence: Military Acquisitions in the Asia-Pacific Region", *International Security* 18, no. 3 (Winter 1993/94): 78–112; and Mark Kramer, "The Global Arms Trade After the Persian Gulf War", *Security Studies* 2, no. 2 (Winter 1992): 264–67.
43. David Boey and Vivek Raghuvanshi, "Instability Fuels Modernization of Asian Air Forces", *Defense News*, 25 April–1 May 1994, p. 8; Merrill Goozner, "East Asia's Rearming Raises Alarms", *Chicago Tribute*, 22 November 1992, p. 1; Mecham, "Malaysia Buys MiG-29s, F/A-18Ds"; Klare, op. cit., p. 139; Lewis and Opall, op. cit.; Barbara Opall, "Thailand Wants 6 More F-16 Fighter Squadrons", *Defense News*, 6–12 April 1992, pp. 1, 30; Michael Richardson, "Indonesia to Acquire One-Third of Former E. German Navy", *International Herald Tribune*, 5 February 1993, p. 7.
44. Shannon Selin, *Asia-Pacific Arms Buildups. Part One: Scope, Causes and Problems*, Working Paper No. 6 (Vancouver: Institute of International Relations, University of British Columbia, November 1994), pp. 39–48.
45. Richardson, "China Raises Spratly Fears", p. 16.
46. Naoaki Usui, "Japan, China Tangle Over Island Control", *Defense News*, 9 March 1992, pp. 1, 28.

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48. Quoted in Michael Richardson, "Spratlys Increasing Cause for Concern", *Asia-Pacific Defence Reporter* (October–November 1992), p. 35.
49. Nayan Chanda, "Treacherous Shoals", *FEER*, 13 August 1992, pp. 14–16.
50. Paul Lewis, "Hanoi Protests China's Spratly Oil Expedition", *Defense News*, 6–12 July 1992, p. 12; and Chanda, "Treacherous Shoals", p. 15.
51. Wayne Bert, "Chinese Policies and U.S. Interests in Southeast Asia", *Asian Survey* 33, no. 3 (March 1993): 327.
52. Qimao Chen, "New Approaches in China's Foreign Policy: The Post-Cold War Era", *Asian Survey* 33, no. 3 (March 1993): 247.
53. Richardson, "China Raises Spratly Fears", p. 16.
54. Chanda, "Treacherous Shoals", p. 17.
55. William Branigin, "Southeast Asians Seek Security Ties with China", *Washington Post*, 27 July 1993, p. 12.
56. Robert S. Ross, "China's Strategic View of Southeast Asia: A Region in Transition", *Contemporary Southeast Asia* 12, no. 2 (September 1990): 109–11.
57. Michael G. Gallapher, "China's Illusory Threat to the South China Sea", *International Security* 19, no. 1 (Summer 1994): 185.
58. Indeed, even the Chinese military is not certain of the outcome of any conflict. A recent internal book written by the Chinese military, *Can China's Armed Forces Win the Next War?*, betrays such concerns. See Rose H. Munro, "Eavesdropping on the Chinese Military: Where it Expects War — Where it Doesn't", *Orbis* 38, no. 3 (Summer 1994): 355–72.
59. Gallapher, op. cit., pp. 178–79.
60. Robert G. Sutter and Shirley Kan, *China as a Security Concern in Asia: Perceptions, Assessment, and U.S. Options*, CRS Report to Congress, 94–32 S (5 January 1994); and Gallapher, op. cit., pp. 185–92.
66. David Shambaugh, "Time for China to Address Worries about its Military Intentions", *International Herald Tribune*, 8 November 1993, p. 8; Michael Richardson, "China's Military Secrecy Raises Suspicions", *Asia-Pacific Defence Reporter* (June–July 1993), p. 24; and Ball, op. cit., pp. 106–11. A Chinese Defence White Paper is reportedly being prepared. See also Banning Garrett and Bonnie Glaser, "Multilateral Security in the Asia-Pacific Region and its Impact on Chinese Interests: Views from Beijing", *Contemporary Southeast Asia* 16, no. 1 (June 1994): 31.
62. So far, China has expressed reservations about the proposed multilateral forums on Asia-Pacific security, fearing that they will serve simply to single out China for criticism, in particular its military build-up, and the possibility of the internationalization of the Spratly disputes. See Garrett and Glaser, op. cit., pp. 25–27.

JING-DONG YUAN is a Graduate Fellow at the Centre for International Relations, Queen's University, Canada.

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The Many Faces of UNTAC: A Review Article

JAMIE FREDERIC METZL

***Cambodia: The Legacy and Lessons of UNTAC.* By Trevor Findlay.** Oxford University Press. 238 pp.

United Nations Authority in Cambodia. By Jarat Chopra. Institute for International Studies, Occasional Paper no. 15. 86 pp.

***Between Hope and Insecurity: The Social Consequences of the Cambodian Peace Process.* Edited by Peter Utting.** United Nations Research Institute for Social Development. 240 pp.

The United Nations and Cambodia, 1991–1995. United Nations Department of Public Information. 352 pp.

The Bayon temple at the Angkor complex is a marvel of architectural perfection. Two hundred and eight identical faces of the Buddha, of various shapes and sizes protruding in all directions, adorn its fifty-four summits and towers. The faces themselves reveal a distant, impenetrable smile which archaeologists, art historians, and students of religion have struggled to understand for years.

The Bayon is, perhaps, an apt image with which to begin assessing the mission of the United Nations Transitional Authority in Cambodia (UNTAC). Should UNTAC be judged in comparison with other U.N. missions by how well the United Nations fulfilled its mandate, or by the appropriateness of the mandate itself, or by its social and economic impact

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on Cambodia, or by the actions of the foreign powers who organized and ran it or by the outcome which the treaty, the mission, and the electoral process produced? Figuring out the relevant criteria to evaluate the mission is in many ways like trying to determine which is the truest face of the Bayon.

Helping us wade through this difficult issue are a number of recently published books on the U.N. role in Cambodia. Arguably the best and certainly the most thorough of the books is Trevor Findlay's *Cambodia: The Legacy and Lessons of UNTAC*. Findlay has amassed a wealth of information on the U.N. mission, particularly from U.N. documents and recollections of former UNTAC officials. He presents his opinions on the successes and failures of the UNTAC mission clearly and supports them with convincing evidence. Jarat Chopra's *United Nations Authority in Cambodia*, which by design goes less in depth than Findlay's book, offers a thoughtful examination of the mission, particularly on the policy level. *Between Hope and Insecurity: The Social Consequences of the Cambodian Peace Process*, produced by the United Nations Research Institute for Social Development (UNRISD) and edited by Peter Utting, attempts to show a more human face of the UNTAC mission and the peace process, although with considerably less consistency and success. Finally, the United Nations Blue Book, entitled *The United Nations and Cambodia, 1991–1995*, provides a series of interesting documents relating to the international diplomacy surrounding the peace process and the UNTAC mission.

Certainly, the easiest way to evaluate the U.N. mission is by comparing it to U.N. attempts elsewhere. As Chopra notes, the UNTAC mission was formulated within the context of a perceived post-Cold War "renaissance" of the United Nations, when great power co-operation appeared to allow regional conflicts to wind down. George Bush's "new world order" seemed to many to be approaching in the distance. The Paris Treaty establishing the UNTAC mission was a clear example of this new international co-operation and its promise for the future. Because the Cambodia mission was one of the few perceived in this context that did not end in failure or catastrophe, it is clearly an enormous success by U.N. standards. Being deemed successful in relation to events in Somalia, Angolia, and the former Yugoslavia, however, can hardly be considered a compliment.

A second criteria for assessment might be whether or not the U.N. mission in Cambodia fulfilled the task assigned to it in the Paris Treaty. The signatories of the Treaty set as their stated goal: "to promote national reconciliation and to ensure the exercise of the right to self-determination of the Cambodian people through free and fair elections". Given that the factions which signed the treaty, particularly the Vietnamese-installed State of Cambodia (SoC) and the Partie of Democratic Kampuchea (the Khmer

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Rouge), had been fighting for the past thirteen years and that Cambodia had little previous experience of free and fair elections, this was a tall order from the start. The Treaty called for the United Nations to control parts of the existing administrative structures of the four factions which could be used to interfere with the electoral process and destablize the country during the transitional period before elections, including the police, military, and civil administration. The United Nations would also oversee the more general human rights situation. In addition, UNTAC was to repatriate some 350,000 refugees from the Thai–Cambodian border and independently organize and conduct "free and fair elections" in a "neutral political environment". As Findlay points out, there was a strong Utopian element in the UNTAC mandate. One wonders whether "quixotic" is a more appropriate word.

As the mission progressed, the ideal of the Treaty contrasted repeatedly with realities on the ground. The call for the disarmament of 70 per cent of the troops of the four factions and the cantonment of the rest never took place after the Khmer Rouge refused to participate. The planned control of the "existing administrative structures", essentially a euphemism for the State of Cambodia's ministries (the border factions had no such organized bodies to speak of), never scratched the surface of SoC power. SoC authorities and, to a lesser extent, the Khmer Rouge made sure that the "neutral political environment" never materialized, and political and racial intimidation increased as the elections approached. If the Paris Treaty was a lance with which to attack the windmills of Cambodia's problems, the mills continued to turn despite the United Nations' grandiose charge.

Findlay and Chopra both raise the important questions, therefore, of what the United Nations could have done to achieve the goals of the Treaty. Both assert that two major problems were UNTAC's slow deployment and its failure to exert even a minimum level of control over the Cambodian parties. The United Nations Advance Mission in Cambodia (UNAMIC) was thrown together at the last moment as an interim U.N. presence in Cambodia before the larger U.N. mission could arrive. While this may well have seemed a good idea in New York, it created dangerous ambiguities in Cambodia. UNAMIC arrived with limited powers and poor leadership. It created the facade of a significant U.N. presence which made the absence of the full U.N. mission for the ensuing eleven months appear less pressing. The UNAMIC presence also served to undermine the legitimacy of the SoC regime at a time when there was no U.N. authority to take up the slack.

Soon after UNAMIC arrived, students and disgruntled workers began to test the waters of political actions as they condemned the rampant

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corruption of officials. Anti-corruption protests broke out in Phnom Penh in December 1991, which were put down brutally when SoC soldiers opened fire on protesters in central Phnom Penh and imposed a strict curfew. Neither Findlay nor Chopra mention the important fact that as these protests were going on, students marched to the UNAMIC compound to present a petition condemning SoC abuses which the Australian soldiers refused to accept. Cambodians who had greeted the arrival of the United Nations with an almost messianic fervour got their first glimpse of the limits of United Nations authority. This theme of Cambodian hope and U.N. impotence was to continue throughout the mission.

The United Nations, it is argued in all the books except the U.N. Blue Book, could have done more to exercise its control function. The dashing French General Loridon, UNTAC's deputy military chief, had been removed from his post after recommending that the United Nations should attack the Khmer Rouge to force it to comply with the treaty it had signed. This, it seems, was an impossible option from the start. The Treaty was based on the voluntary compliance of the Cambodian parties and the establishment of a cease-fire. As Yasushi Akashi, the Special Representative of the U.N. Secretary General to Cambodia, correctly noted, using such force would have demonstrated the complete failure of a peace-keeping mission and likely cause countries providing troops to the United Nations to reconsider their commitments, positions borne out by the subsequent events in Somalia. While such dramatic use of force would probably have been counter-productive, other forms of pressure clearly could have been applied.

The United Nations, for example, lost credibility among the Cambodians when a well-publicized convoy of top U.N. officials allowed itself to be denied access to the Khmer Rouge zone by a lone teenage Khmer Rouge soldier. This took place, it should be noted, at about the same time that the world's media were focusing their attention on the brave actions of General Morillon in Srebrenica. The image of rows of shiny U.N. trucks and burly blue berets humbled by the diminutive, sandalled youth was not lost on the Cambodians. Indeed, it did not take long for most Cambodians to realize that the United Nations, with all its largesse, was, in a way, bluffing. U.N. officials made bold statements about the need to protect human rights and create a neutral political environment. It occupied the colonial buildings in Phnom Penh and the provincial capitals, and its trucks and personnel visibly dominated the streets. Yet, the quiet power remained where it had always been. U.N. investigators might swoop into a remote village to investigate a killing, but the locals knew full well that they could be punished for co-operating once the investigators left. The ineffectual, often useless, U.N. Civil Police stationed at the district level often had a poor understanding of local conditions, were poorly trained, and

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had no clear sense of what they should be doing. They could offer little protection to Cambodian villagers who might have wanted to co-operate more with the U.N. officials, or challenge the oppressive power of the local authorities.

The U.N. bluff was also called by the international media which reported an increase in political violence, particularly SoC attacks against Buddhist Liberal Democratic Party (BLDP) and FUNCINPEC party members in the countryside. The UNTAC Human Rights Component investigated the most serious of these incidents and, with others, urged Special Representative Akashi to take stronger action allowed under the Treaty. The Human Rights Component, for example, found conclusively that an SoC policeman had violently beaten with the butt of his pistol a man he was arresting. Witnesses were, in this case, willing to speak up and the Human Rights Component assembled a complete dossier. U.N. leaders, however, chose not to order the SoC policeman's removal from office, as the Special Representative was empowered by the Treaty to do, but entered into consultations with the SoC regime. No action was taken against the man, and when human rights investigators later encountered him at his office, he laughed at them. A similar result emerged when the United Nations sought to have the corrupt and brutal governor of Battambang removed and then withdrew when the SoC refused to co-operate.

There were a number of reasons why UNTAC fared so poorly at controlling the SoC. Most important of these was that real control required real power which the United Nations, despite its paper mandate, was never able to exert. Even if U.N. officials had been more adept and had greater language capabilities, the significant decisions made by the local leaders were not filtering through "in" and "out" boxes at the ministries. Power was defined by relationships and underlying, invisible structures which U.N. officials probably never understood or could have understood. Additionally, both the United Nations and the SoC recognized that the former needed a success in Cambodia to retain its international credibility. With the Khmer Rouge already outside the peace process, UNTAC needed the SoC to keep the entire mission from unravelling. As Akashi acknowledged, "I cannot afford not to succeed". The quality of the U.N. controllers was also not high, with notable exceptions, and control often meant little more than a U.N. official with a desk in a Cambodian ministry who read the occasional piece of mail and, from time to time, had tea with the minister.

While the SoC maintained its instruments of power, particularly its police and military force, it was very willing to abrogate its administrative responsibilities. SoC leaders could instill the fear of God into their components, but they were less likely to collect the garbage, feed their prisoners, or grant building permits. Workers in the ministries spent less and less

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time fulfilling their duties, and often did so only when the correct monies were paid. This was one factor which contributed to the vacuum of administrative authority in Cambodia, as Findlay astutely notes. The Paris Treaty had been designed to reduce the influence and power of the SoC regime. According to the Treaty, this authority would be replaced by the Cambodian Supreme National Council (SNC), an administrative body made up of representatives of the four factions, and by the United Nations. The SNC, however, proved ineffective because of the divisions between its members, while the United Nations continually declined to step in.

When international media accounts described the high levels of intimidation and the absence of the proclaimed "neutral political environment", pressure mounted for the United Nations to postpone the elections or take stronger measures. The former option was rejected because the alternatives to holding the elections as planned seemed worse than carrying out an even flawed election. The latter was taken up in form although not in substance. UNTAC authorized control teams to seize, unannounced, all documents in various SoC provincial offices. While damning information regarding SoC activities against opposition groups was sometimes discovered, this information led to little concrete action on the part of the United Nations.

In an even more dramatic move, Akashi authorized the establishment of a U.N. Special Prosecutor in Cambodia with the authority to issue warrants for the arrest of Cambodians accused of various crimes, particularly those with political connotations. An SoC policeman charged with murduring a FUNCINPEC member in Kampot, and a Khmer Rouge soldier who confessed to taking part in the massacre of thirteen ethnic Vietnamese Cambodians in Kampong Chhnang, were arrested by the U.N. police and placed in special U.N. detention facilities. When the SoC Supreme Court refused to authorize the detention of these prisoners, however, the United Nations was forced to choose among several options, including releasing them and suffering another public humiliation, or trying to force the issue through the clearly sub-standard and non-independent SoC courts, or establishing U.N. courts to authorize the detention, or keeping the prisoners in extended administrative detention in violation of the International Covenant on Civil and Political Rights. While the last course was taken, the choice highlighted one of the central problems of the UNTAC mission — the issue of Cambodian sovereignty.

UNTAC was never intended to become a colonial power completely superseding the indigenous institutions. In fact, the treaty process was designed to end the meddling by foreign powers in Cambodian affairs which had marked the Cold War years. Cambodia's problems, however, ran so deep that it seemed almost impossible to intervene at one level

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without facing insurmountable interference at another. If a U.N. prosecutor could not operate without a legitimate, non-politicized court, should the United Nations have established its own system of prosecutors, prisons, judges, and courts, as Findlay suggests (and as the U.N. Special Prosecutor in frustration urged)? Could the the United Nations appropriately have taken upon itself such neo-colonial powers in a mission designed in part to return power to the Cambodian people? On the other hand, the ideals of the treaty would not allow the United Nations to accept the low standards of the Cambodian institutions as they existed. The mission struggled to define itself in the space between these two extremes.

Despite its early rhetoric, U.N. officials themselves acknowledged as the elections neared, that a free and fair environment had not been brought about. As Secretary General Boutros Boutros-Ghali noted in the introduction to the Blue Book, the new standard called for "the most impartial election possible under imperfect circumstances". While such a standard is certainly acceptable for an imperfect world, the fact that the United Nations was forced to come down from the ideal of its earlier statements to this understandable position denotes yet again the ambiguousness of the original mandate. The ambitious scope of the stated mandate was simply too bold for the Cambodian context. It sought to impose a new world order on a country that had yet to catch up with the old world order. It set a standard against which, despite the many successes of the mission, UNTAC's failures could be identified and condemned.

The question of why the mandate was established as it was, is another approach to evaluating the UNTAC experience. The Paris Treaty was obviously a compromise between the various Cambodian and non-Cambodian parties. Some of the compromises which determined aspects of the treaty clearly focused on the interests of the Cambodian parties themselves. Matters of representation on the SNC and questions of whether voting would be proportional versus majoritarian or based on national versus provincial constituencies fit into this category. Other compromises, however, seem more focused on the interests of the big powers than on those of the Cambodians.

As the pieces shifted on the international chess board with the break-up of the Soviet Union and the subsequent Vietnamese withdrawal from Cambodia, it might have been possible for some of the Cambodian parties to strike deals with others which could have shifted the Cambodian political landscape. There were rumours in 1987, for example, of a possible deal between Sihanouk and Hun Sen which would have allowed Sihanouk to return and some form of power sharing agreement to emerge prior to elections. While such negotiations might have led to some type of settlement, albeit an undemocratic one, they were never seriously followed up

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because the necessary big power backing was simply not there. Although Sino–Vietnamese and U.S.–Vietnamese relations were improving, neither the Chinese nor the Americans were willing to give such a moral victory to the Vietnamese and Hanoi's ally in Phnom Penh after so many years of strife (even though such an agreement might have resulted in essentially the same ultimate outcome as the Paris Treaty). The Chinese may well have thought that alienating the Khmer Rouge would decrease the former's credibility elsewhere in the world. The Paris formula which was eventually agreed upon was the diplomatic equivalent of a fireworks display with which the big powers symbolically exculpated themselves from the Cambodian imbroglio and removed the conflict from the international agenda. By returning responsibility for the future of Cambodia to the Cambodian officials, the big powers could wash their hands and exorcise past sins.

This confluence of interests on the part of the big powers granted a superficial credibility to peacekeeping in Cambodia. Soviet and Chinese U.N. military observers, for example, sometimes approached Cambodian authorities together to make various requests. On a deeper level, however, evaluating UNTAC requires asking whether the big powers deserved to present themselves as the saviours of Cambodia after so many years of cynically manipulating the Cambodian conflict. All of the four warring Cambodian factions, with the partial exception of the Khmer Rouge, would not have existed without the major backing of one or more foreign powers. While the Western states and the United Nations criticized the Khmer Rouge in resolutions of escalating indignation, it was difficult to forget that the Khmer Rouge were the sorcerer's apprentice maintained, for over a decade following the Vietnamese invasion, by Chinese arms, Western food aid, and supportive votes in the United Nations. As the U.N. Blue Book demonstrates fairly, the big powers skilfully steered the Cambodian peace process through from the beginning and were able to do this precisely because of the influence they had developed through the induced reliance of the Cambodian parties. One wonders, however, whether Cambodia would be worse off had the country simply been left alone.

Another approach to evaluating the UNTAC mission is to consider its social and economic impact, a matter examined unevenly and sometimes superficially in UNRISD's *Between Hope and Insecurity.* As Eva Arnvig, one of the contributors to the UNRISD book notes, U.N. personnel and money contributed significantly to the explosive growth of prostitution during the UNTAC period. Despite protests by NGO (non-governmental organization) workers in Phnom Penh, the increasing Cambodian perception of U.N. peacekeepers as exploitative whore mongers, and the fast spread of AIDS (Acquired Immune Deficiency Syndrome), U.N. officials did little to rein in the night-time activities of UNTAC personnel.

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E.V.K. Fitzgerald, another contributor, notes that UNTAC's spending habits fuelled a speculative economy and that foreign powers acquiesced to destabilizing inflation by not appropriating significant development funds prior to the elections when Cambodian social structures were crumbling. This failure to provide development funds, of course, was exacerbated by the vociferous urging of the border factions that international aid should not be allowed to aid disproportionately the Phnom Penh regime.

Perhaps the greatest social problem in Cambodia, a problem which worsened during the UNTAC period, was that of the ethnic Vietnamese in Cambodia. Of the books under review, only the U.N. Blue Book contains significant mention of this important issue. Cambodian antipathy towards the Vietnamese dates back a millenia and was clearly not a problem which the United Nations could have simply fixed. As Khmer Rouge attacks on ethnic Vietnamese communities intensified, particularly in March 1993, and the massive exodus of Vietnamese-Cambodians began, the United Nations did not do all that it might have done. As Boutros-Ghali points out in the U.N. Blue Book, the Vietnamese issue had not been considered in the Paris accords and some UNTAC leaders thought of the issue as an internal matter for the Cambodians to resolve themselves. Many of the same leaders also argued internally that publicly supporting the rights of the ethnic Vietnamese in Cambodia would feed Khmer Rouge propaganda which accused UNTAC of delivering Cambodia to the Vietnamese. In fact, Special Representative Akashi even rejected suggestions that he should visit ethnic Vietnamese victims of racially motivated attacks in the Phnom Penh hospital for fear of making such an impression. While UNTAC had neither the mandate, the manpower, nor the influence to address the deep ethnic fissure in Cambodian society with regard to the ethnic Vietnamese issue, such symbolic measures might have given at least moral support to the fleeing Vietnamese. Instead, the United Nations essentially stood by as these events took place. Many of the ethnic Vietnamese who fled Cambodia, some of whom remain on the Cambodia–Vietnam border, were either born in Cambodia or had lived there for decades, and thus Cambodians by any standard of international law except, perhaps, that followed in present-day Cambodia.

Alongside these negative consequences, however, stand the very positive social effects of the UNTAC mission. The United Nations repatriated with extraordinary efficiency the entire refugee population from the Thai–Cambodian border, it allowed a free press to emerge in Cambodia for the first time in the country's history, it set standards for the treatment of prisoners, trained defence attorneys, judges, and policemen, it introduced the language of human rights, democracy, and electoral politics into Cambodian currency, it trained thousands of Cambodians in various skills,

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and began a national de-mining effort. UNTAC arrived in a Cambodia which had been isolated from the outside world for seventeen years and reintroduced Cambodia and Cambodians to previously unimaginable individuals, cultures, and ideas. It returned Cambodia to the rest of the world.

But while the UNTAC presence did many things, history will ultimately judge the mission based on the political outcome of the peace process as a whole. By definition, this evaluation will shift with time, as it has done in the brief period since the May 1993 elections. In a strict technical sense, UNTAC provided the people of Cambodia with arguably the fairest election in the history of Southeast Asia. U.N. electoral workers did a spectacular job of registering voters, overseeing the vote, and counting up the ballot papers. Because the State of Cambodia authorities had not at all been neutralized during the transitional period, however, the FUNCINPEC victory ended up meaning less than it might otherwise have. FUNCINPEC inherited nominal power, which was respected by SoC authorities (albeit after a secession attempt and other post-election manoeuvres) largely because they knew that badly needed international aid would be cut off if the electoral result was not respected. FUNCINPEC, on the other hand, had little choice but to conform to SoC/CPP (Cambodian People's Party, the SoC political party) demands because the CPP still controlled the police, military, and provincial administrations. Thus, although power has nominally changed hands, the same authorities who threatened and harassed their opponents during the electoral period continue to do so. Political intimidation and murder are still widespread, and corruption remains rampant. While Chopra claims that the U.N. mission empowered the people of Cambodia, a suggestion borne out by the massive voter turn-out and the courage of those who voted against the authorities in power, events since have suggested that intimidation and fear are more than a match for such empowerment.

Given that UNTAC, with its ambitious mandate and numerous personnel, failed to create a sense of accountability for human rights violations, it is hardly surprising that Cambodian violators still feel they can act with impunity. Human Rights Watch Asia, Amnesty International, and the U.N. Centre for Human Rights in Phnom Penh have reported continued serious abuses and murders perpetrated under the new Royal Government. In Battambang, for example, a special military unit known as S-91 was alleged by the U.N. Centre to have been responsible for at least thirty-five murders in the second half of 1993, and allegations of torture, mutilation, and cannibalism have been made against the unit. The Cambodian Government, however, has done little to address such abuses. Two journalists who had written articles critical of the government were killed in late 1994

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and, according to Amnesty International, attacks against ethnic Vietnamese inhabitants of Cambodia continue unabated.

While the September 1993 constitution has many strong points, it is unclear about the status of the ethnic Vietnamese in Cambodia. This ambiguity was hardly addressed by the recent immigration law which fails to define what constitutes "Cambodian nationality" and allows for the potential expulsion of non-nationals who may have a legitimate claim of residence in or citizenship of Cambodia. In short, while the positive impact of UNTAC and the peace process can still be felt in Cambodia, UNTAC's shadow is becoming increasingly faint as time progressess. The strength of this legacy will surely be put to the test in the potential crisis looming on the horizon, particularly at the time of the next elections and the royal succession.

With all of these faces of the peace process and the UNTAC mission pointing in so many different directions, how then is one to judge the success or failure of the process? The answer, of course, is twofold. First, just as all of the protruding faces of the Bayon are equally authentic, so too are all approaches to judging the peace process valid. Just as some of the faces at the Bayon are bigger and more prominent than others, so too are different arguments more and less relevant. Whatever the future holds for Cambodia, it is unlikely that historians will care much that UNTAC caused inflationary pressure in Cambodia, that prostitution, evil though it is, increased under UNTAC's watch, or that the de-mining programme was begun. If Cambodia remains relatively stable and slowly develops economically and structurally, later generations will praise the United Nation's role in Cambodia with the type of optimistic gloss that characterizes the Blue Book. If, on the other hand, the country falls apart, few will care that the refugees were returned, that there was a period when individual rights were somewhat protected, or that technically excellent elections were carried out. The Paris Treaty will be the Cambodian equivalent of Wilson's fourteen points and the UNTAC mission, the ineffectual League of Nations. The second answer, therefore, is that the jury is still out.

Cambodia's fate will certainly have been influenced by the events, successes, and failures described in these books. Perhaps if all goes well, those who review these books in later years will be young Cambodian scholars trained abroad through Fulbright grants and Overseas Research studentships, or at home in revitalized national universities. When they look back at these books and the U.N. mission which they describe, however, they will search in vain for Cambodian voices. The UNTAC mission sought to kick-start a democratic process in war-torn Cambodia, yet entered the country with little knowledge of local conditions. Instead of placing select

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locals and expatriate Khmers in positions where they could offer their knowledge of local conditions to the United Nations, Cambodian nationals served as drivers, clerks, and translators, and expatriate Khmers as interpreters and technicians. Findlay and Chopra's useful books both do an excellent job of analysing the mission and Chopra is to be particularly commended for placing it in the global context. Neither book describes in any detail what the mission and the peace process meant to the Cambodian people, nor, for that matter, what the implications were for the Cambodian populace and political system of having a seeming neo-colonial power swoop in and out in the course of a year and a half. While the UNRISD book tries to address this imbalance by focusing on economic and social consequences of the mission within Cambodia, it is surprising that there were no Cambodian contributors to the book. Finally, because the Blue Book focuses on the international negotiations surrounding Cambodia, it excludes much of the communication between the Cambodian parties and the UNTAC leaders in Cambodia, where important base-level decisions were being made.

The UNTAC experience will certainly offer lessons, many elucidated by Findlay and Chopra, which, if learned, will make future U.N. peacekeeping missions more effective. Cambodians, however, will be little served by potential, if unlikely, U.N. successes years from now in places such as Rwanda or Liberia. If the peace process in Cambodia does unravel, however, the United Nations, for all its limitations and failings, will ultimately not be responsible. Just as the Cambodians deserve much credit for their courage during the elections, so too do they deserve final responsibility for the future of their country. The peace process and the U.N. mission have given Cambodians the opportunity to rebuild their country, to pull it out of the ruin of decades of war, mass abuse, and foreign perfidy. Imperfect though it is, this is the chance that Cambodia has, and success and failure are within the grasp of Cambodia's leaders and, insofar as they can make their voices heard, Cambodia's people. While the 416 eyes at the Bayon peer down from their various perches, they, without exception, look out at Cambodia.

JAMIE FREDERIC METZL is with the Harvard Law School.

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Book Review

***Language and Power: Exploring Political Cultures in Indonesia*. By Benedict R. O'G. Anderson.** Ithaca/London: Cornell University Press, 1990. 305 pp.

This volume consists of eight of Benedict R. O'G. Anderson's most influential essays written over a period of two decades. Most of the essays have been published previously, some as early as 1966. In this absorbing book, Anderson explores the cultural and political incongruity that has arisen as a consequence of two critical facts in Indonesian history. While the Indonesian nation is still in its embryonic phase, the Indonesian state is ancient, originating in the early seventeenth-century Dutch conquests; and contemporary politics is conducted in a new language, Bahasa Indonesia, by a population (especially the Javanese) whose cultures are rooted in medieval times.

Most of the essays address aspects of Javanese political culture from the early nineteenth century (when the Javanese did not have words for politics, colonialism, society, or class) through the early nationalism of the 1900s, to the era of independence after World War II (when deep internal tensions exploded into large-scale unrest).

Almost every page of this book deals with *wayang*. Using *wayang*, Anderson "describe[s] the picture of social and political life seen through traditional Javanese lenses" (p. 18), and analyses the relationship between cultural background and socio-political behaviour. His scholarship is enhanced considerably by the use of arguments to disprove the view that Indonesian political and historical ideas are adopted from the West.

Anderson presumably also assumes that traditional Javanese culture

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possesses historical and political notions. Unfortunately, due to lack of strong primary sources pertaining to this field of study, the author only refers to Ranggawarsita's *parandéné* for pre-modern political ideas and to Dr Soetomo's *mulia* for more contemporary approaches. In short, then, Anderson wants to demonstrate that Javanese expressions such as *mirong kampuh jingga*; *ambeguguk ngutha wanton*; *ambondhan tanpa ratu* (the three phrases, each expressing opposition or revolt, are generally combined into one sentence in *wayang*, *ketoprak* or *ludruk* performances) were not only in force on the *ketoprak* stage or the *wayang* screen but were also manifested in Javanese political society.

Anderson argues that the early *ngoko-krama* antithesis — *ngoko* being the popular language of the Javanese, whereas *krama* was the language used to address people of higher rank — was created by the Javanese ruling class, which was "feudalized" and "fossilized" by Dutch colonialism. The process of "kramanization" was merely caused by "the *sunans* and sultans (having) become *levende wayangpoppen* (living *wayang* puppets), and therefore "ever greater pomp was displayed by the ruling class to conceal the reality of increasing impotence" (p. 201). This trend even led to the birth of "*krama inggil*" (high *krama*), the use of which was more refined and practised in court circles.

Similarly, Anderson calls the growing social distance between the people and the new social and political élites a "kramanization" of the official Indonesian language (p. 145). Anderson's new *krama* has again been "renovated" by the new, military-dominated ruling class to become the new order of "*krama inggil*", which Anderson says is cultivated and spread by the official institutions in Jakarta, furnishing official Indonesian (Anderson's new *krama*) with archaic expressions and new creations, especially in the form of abbreviations such as *ipoleksosbudhankam*, a term used frequently by the armed forces to symbolize the multidimensional nature of national security. (The term is derived from *ideologi* [ideology], *politik* [politics], *ekonomi* [economy], *sosial* [social], *budaya* [culture] and *hankam* [*pertahanan dan keamanan* or defence and security]). It also revived some old Javanese and Sanskrit fossils, such as *bina graha* (the term is used to signify "presidential office" in the New Order period), a most confused compound word, both in its elements and its structure. It is possible to conclude that this *krama inggil* may be intended to give additional *wahyu* (the divine radiance that passed from the disintegrating power of one kingdom to the founder of its successor) to power (compare with Anderson's analysis in pages 22–23).

On the question of the Javanese concept of power, the book's first section deals with interesting problems on the borderline between history, sociology and political science. Particularly in the first chapter, Anderson

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tries to show that many aspects of Indonesian political life since 1949, the year in which the Indonesian Republic was recognized as a sovereign state, can be understood in terms of a concept of power derived from Javanese tradition. The author contrasts the Javanese idea of power with the contemporary Western concept of power (p. 21 ff). One of his points is that "traditional literature deals with the problems of concentrating and preserving Power, rather than with its proper uses". The author, however, makes the questionable assertion that the basic elements of the Javanese power tradition were discernible during the Soekarno regime. There are also doubts about Anderson's assumption that the Javanese concept of power "does not raise the question of legitimacy". Supernatural forces provide a person with *kasekten* — but they may equally withdraw legitimacy. In the case of Soekarno, the volcanic eruption of Gunung Agung in 1963 was viewed by quite a few Indonesians as a sign that he, as a result of the deficient management of government affairs, had lost what the Chinese call "The Mandate of Heaven".

The author rightly argues that Soekarno, in the course of his tenure as President, gradually expanded his personal power. However, it must be stressed that Soekarno was not interested in accumulating power for its own sake. In the third chapter, entitled "Old State, New Society", the author explains that Soekarno was forced to assume the presidential powers granted to him by the Constitution of 1945 because the Constituent Assembly had failed by 1959 to fulfil its task, and because of armed insurrections in the Outer Islands which were supported by the West. One of Soekarno's first steps after the inauguration of the policy of "Guided Democracy" was the promulgation in 1959/60 of laws on share-cropping and on land reform which, though "rather mild" (pp. 108–9), showed his concern for the *petani* (farmers). Under his regime, it was possible for peasant unions, trade unions and women's organizations to operate fairly freely. Moreover, his Balinese mother had exposed him to more than a purely Javanese tradition. On a lecture tour through eastern Indonesia in 1956 to promote *Pancasila* instead of an Islamic State as a basis for the debates in the Constituent Assembly, an accompanying journalist observed how Soekarno quoted the Qur'an in Makassar, the Bible in Ambon and the Bhagavad Gita in Denpasar! On the other hand, the manner in which President Soeharto set about accumulating power was much closer to the traditional Javanese concept of power, indifferent as it is to "questions of good and evil".

As Indonesia begins to wrestle with questions pertaining to succession, what hope is there for a Western-style democracy emerging in Indonesia when the Soeharto era concludes? A study of Javanese power may prove illuminating in this context. The Javanese have always regarded power

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strictly as a quality possessed by sacred kings, feudal lords and princes, repressive foreign administrators and authoritarian high-ranking officials. Power was translated into arbitrary orders or instructions, which flowed downwards from the top. The Javanese learned to accept the belief that the source of power possessed by such extraordinary, foreign or high-ranking individuals was hereditary, a divine appointment, or some other incomprehensible, mysterious historical condition or event, which they had come to accept as fate.

In the words of an eminent scholar of Javanese culture, Koentjaraningrat, "legitimation of power by means of democratic election is ... irrelevant for traditionally oriented Javanese". According to them, power is an ascribed quality which is obtained through inheritance or divine favour. Consequently, the quest for power does not necessitate efforts to gain public support and approval, while the pursuit of popularity through public appearances and so on comes to constitute a hindrance rather than a useful means towards the acquisition of power. According to Koentjaraningrat, "in traditional Javanese societies the power of a leader is enhanced by keeping aloof from the people, by remaining distant and hidden from view, or through the mere fact of being a foreigner. However, the image of a just and righteous, immensely wise, and exceptionally generous king, leader or high-ranking administrator requires a constant effort of preservation and intensification by means of the appropriate ceremonial acts and rites, wherein material objects, incantations, and acts symbolizing the qualities of power and authority play a key role". Do these physical attributes of power and authority give us some idea of the type of individual who will ascend the office of the President? Perhaps closer to 1998 we might be able to speculate better. However, one thing is for sure: it will be a brave analyst who attempts to discount the importance of Javanese culture and its ability to help us elucidate the complexities of Indonesian politics when 1998 arrives.

Anderson's *Language and Power* is, hence, indispensable for anyone concerned with the interplay among language, culture, and politics. By analysing a spectrum of examples from classical poetry to public monuments and cartoons, Anderson deepens our understanding of the interaction between modern and traditional notions of power, the mediation of power by language, and the development of national consciousness.

LEONARD C. SEBASTIAN
Institute of Southeast Asian Studies

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China's Foreign Policy Under Status Discrepancy, Status Enhancement

SHENG LIJUN

This article challenges one dominant theme in the existing Western literature about China's foreign policy in the late 1970s and the early 1980s, that is, China's foreign policy was overwhelmingly influenced by its concern with the Soviet threat. It argues that status discrepancy and status enhancement played a much more important role than commonly realized, given the recent evidence that top Chinese leaders, such as Deng Xiaoping, had already changed their perception of war and the Soviet threat in the late 1970s when Deng was publicly intensifying efforts to establish an international united front against the Soviet Union. The article also uses this "status enhancement" conceptual framework to examine China's foreign policy since 1949 and explores the impact of a rising China in the 1990s with its enhanced status.

China's foreign policy, like that of other countries, is fundamentally based on national interests. What are "national interests"? The nation's security is one commonly-accepted element. Indeed, international politics often demands a commitment to national security if nations are to survive. However, in the decades after its founding, the People's Republic of China (PRC), while making efforts to augment its national security, had also sought consistently to enhance its status to the level of a global power. So, very often, China did not respond to security threats in a passive or knee-jerk way. Rather, it took initiatives not only for national security but also for status enhancement at the same time. This has had a consistent and profound impact on China's foreign policy making since the founding of the People's Republic in 1949.

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Status Discrepancy

China's aspiration for status enhancement derives from its strong sense of status discrepancy, four aspects of which can be identified.

Status Discrepancy 1

The first aspect of status discrepancy refers to China's conception of the gap between its glorious past and its present backwardness and weakness. Former Chinese Vice Foreign Minister Fu Hao said in 1988: "Our present status is not appropriate to a country like China with such population, size and history".[1] China's strong sense of status discrepancy has, to a significant degree, come from its glorious past and its defeat at the hands of Western powers and the Japanese in the one-hundred-year history of humiliation since the middle of the nineteenth century. China views its present backwardness partly as a result of foreign aggression and exploitation. This sentiment was well expressed by Mao Zedong on 21 September 1949. He said:

> The Chinese have always been a great, courageous and industrious nation. It is only in modern times that they have fallen behind. And that was due entirely to oppression and exploitation by foreign imperialism and domestic reactionary governments.[2]

Deng Xiaoping expressed the same sentiment in the 1980s. He said:

> In the century since the Opium War [of 1840], the Chinese nation has been put in a humiliating position in the world and has been looked down upon.[3]

This traditionalist element is easily discernible and remains consistent.

Status Discrepancy 2

The second aspect of status discrepancy refers to the gap between China's self-judged high importance and the comparatively low status accorded it by the world community. While China recognizes its present economic backwardness, it also considers itself important. As a large country with rich resources, large population, glorious ancient civilization and strong cultural influence, important strategic location and overall potential, China considers itself more important than many other countries and seeks to be accepted as a significant power in the world. The surprising success of the Chinese Communist Party (CCP) in China's civil war in the late 1940s greatly enhanced Beijing's perception of its status in the world communist movement. Mao described this success as "a great victory without

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parallel in the history of China, a great victory of world significance following the [Soviet] October Revolution".[4] China's perception of its status in both the international arena and socialist camp was further enhanced by visible success in its economic construction and national defence programmes of the 1950s, the military success in the Korean War in the early 1950s, and diplomatic success at the Bandung Conference in 1955. China thought its unique experience of revolution, such as "encircling the cities from the countryside then finally taking over the cities", was universally applicable to world revolution. Before the 1980s, China often had too high a regard, as many Chinese now point out,[5] for its own experience of success, and looked down upon the Soviet Union. For instance, in the "Great Leap Forward" of the late 1950s, Beijing claimed: "The realisation of communism in our country is no longer something in the far future".[6] China thought it could reach the stage of communism before the Soviet Union. But it would "nominally let the Soviet Union enter the communist society first" because "otherwise, the Soviet Union would feel itself losing face".[7] For a long time, especially in the 1950s and 1960s, China felt its importance was not fully accepted or respected by either the Soviet Union or the United States. This discrepancy (as discussed below) intensified Beijing's conflict with Moscow and its uncompromising attitude towards Washington.

Status Discrepancy 3

The third aspect of status discrepancy refers to the gap between China's greatly enhanced strategic and political status in the world, and its relatively weak economic and military capabilities during the 1970s and 1980s. This discrepancy played an important role in Deng's united front foreign policy in 1978–82 and its evolution to the Independent Foreign Policy in 1982.

Status Discrepancy 4

The fourth aspect of status discrepancy refers to the gap between China's current status and strength and what it believes it will be in future. It is common for nations to believe that they will become stronger in the future. However, China has a much stronger sense of this discrepancy than most other countries, and believes it has a greater potential to be a global power in the future than do other countries. For example, small countries, like South Korea, Singapore, and Thailand, though much richer than China, are less likely than China to be perceived as candidates for major power status. Therefore, while China can largely afford to ignore these small

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countries as a threat to its national security now or in the future, and mainly focus its attention on big powers such as the United States, the Soviet Union (now Russia) and Japan, other powers, for the same reason, will likely perceive China as a future competitor, and will be less willing to help China to become stronger. This perception of status discrepancy cannot but have a significant impact on China's strategic considerations. For instance, China's restrained policy on the Spratlys issue is not because it currently does not have sufficient military strength (compared to the other claimants) to recover the atolls and reefs upon which it claims sovereignty but are occupied by others. Rather, it is mainly because of its belief that other big powers, such as Japan, the United States and other Western countries, will intervene to give military, economic and political support to the other claimants, out of their strategic intention to prevent China from becoming stronger to challenge their status and interests in Asia.[8] For the same reason, on the issues of the United States granting of a visa to Republic of China (Taiwan) President Lee Teng-hui to visit his Alma Mater in the United States, U.S. opposition to China's bid to become a member of the General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) before 1995 and to hold the Olympics in the year 2000, U.S. economic sanctions against China and its policy on high-technology exports to China, Beijing has tended to view the United States as strategically motivated to keep China from being its competitor in the next century. On the other hand, this discrepancy may also partly account for the low and non-confrontational profile Beijing has adopted on many current issues, including reunification with Taiwan, in its belief that time is on its side and the greater potential it possesses will give it better bargaining power in the future.

Status Enhancement

The four aspects of status discrepancy illustrated above have played a consistent role in Chinese foreign policy since 1949. In so doing, they have often intermingled with and reinforced each other, with different aspects more prominent at different times and in different situations. However, it is important to note that China's awareness of the discrepancy greatly inspired its desire for status enhancement, and these two elements affected China's foreign policy in both the Mao and Deng eras.

The Mao Era

In the Mao era, status discrepancy, especially as it seemed in Mao's mind, contributed to China's conflict with both the Soviet Union and the United

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States, a factor which has been insufficiently examined because of the overwhelming emphasis on the importance of Mao's ideology and the Soviet military threat.

By the late 1950s, the Soviet Union had largely achieved its territorial ambitions. It had also considerably enhanced its political influence and military strength, especially through its launch of a satellite in 1957 and the build-up of its nuclear arsenal. It not only benefited from its great power status and its sphere of influence in parts of the world, but also had enough bargaining power to achieve further targets by negotiation rather than through battlefield conquests. As for China, however, its desire for enhanced national status had not been satisfied. Chinese leaders had always considered that the great powers, including the Soviet Union, had sacrificed China's sovereignty and national interests at the Yalta Conference. The division of spheres of influence as assigned by the Conference was very favourable to the Soviet Union and the United States. Despite China's military success, most countries still refused to extend diplomatic recognition to it, and it had not even obtained membership of the United Nations. Economically, China was still boycotted by most Western countries. Taiwan was still a "rebel" province and was an embarrassment to China's national status. The United States not only took a hostile stance against China in Korea, Vietnam, and in the Taiwan Strait, but also refused to extend diplomatic recognition or acknowledge China's geopolitical importance.

In this situation, it was easy for the Soviet Union to accept the status quo and seek a *modus vivendi* with the United States by proposing peaceful coexistence between the two different systems. But China found it hard to accept the Soviet proposal. To follow the Soviet Union in seeking an accommodation with the United States *at that time* would have surely left China short of fulfilling its desire of enhancing its status and national interests. For instance, it was then almost impossible for the United States to withdraw its opposition to the PRC taking China's seat at the United Nations, as Washington did in the early 1970s, or to cancel its diplomatic relations with the Kuomintang (KMT) government in Taiwan in order to establish official diplomatic relations with Beijing and recognize it as the sole legal government of China, as it did in the late 1970s. If any concessions were to be made by the Americans they would most likely have benefited the Soviet Union rather than China. With the lesson of the Yalta Conference in mind, China had good reason to suspect that a U.S.–Soviet accommodation was likely to be made once again at the expense of its national interests, and without its status as a strong power being properly accepted. This suspicion was confirmed by U.S. efforts to ignore the Chinese and to solely negotiate with the Soviets. It was further confirmed by the Soviet–American summit at Camp David in 1959, and the tripartite

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Nuclear Non-Proliferation Treaty signed by the United States, the Soviet Union and Britain in 1962. On both occasions, the Soviet Union ignored China's status and opposition. According to a recent book by the authoritative People's Liberation Army (PLA) press, at a visit to the Soviet Union in 1960 by a CCP central delegation, the Chinese emphasized their strong resentment at Soviet concessions during the Soviet–American Camp David meeting, and told Nikita Khrushchev directly: "If China is not a signatory, no treaty signed by you will have any binding effect on China". Deng Xiaoping told Khrushchev face to face: "As for the issue of the international communist movement,. . .every party has its own views, which should not be determined by you".[9] Clearly, status discrepancy (Status Discrepancy 2) and status enhancement had a significant role in the Sino–Soviet conflict.

Hence, the Sino–Soviet conflict in the 1950s and 1960s to a certain degree was related to their different interpretations of Marxism-Leninism, such as judgment of the international situation, view of war and method of revolution, that is, whether to achieve communism via revolutionary means or through peaceful coexistence and peaceful competition between the two different systems. However, the elements of status discrepancy and status enhancement also played a significant role. Indeed, with China's status not accepted by the United States, it was difficult for China to agree with the Soviet Union to accept an accommodation with the United States at that time, which would not bring as many U.S. concessions as did Sino–U.S. *rapprochement* in the 1970s.[10] A Chinese ambassador said later: "One key factor in the development of Sino–US relations is how the United States judges China and how the United States judges China's status in the world".[11] Yet, as the Chinese have pointed out, for a long time after the founding of the PRC, the United States continued to ignore China's status. Only in the late 1960s, after President Nixon's speech about the five major forces in the world, did the United States begin to accept China's status.[12] This unsatisfied desire for status enhancement and recognition contributed to the uncompromising Chinese stance towards the United States before the late 1960s, and only intensified the Sino–Soviet dispute.

At the same time, China felt that its status in the world communist movement had not been duly accepted either and this, if it did not trigger, at least intensified, the Sino–Soviet dispute during the 1950s and 1960s. It is not the intention of this article to examine whether Beijing really wanted to take the leadership of the world communist movement away from Moscow, as the latter alleged.[13] However, it is clear that China wanted to seek more independence from Moscow and enhance China's status in the world communist movement. This intention affected Chinese foreign policy-making.

The intention was easily discernible after Stalin's death in 1953, when

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China began to make efforts, often on its own initiative, and without consulting the Soviet Union, to enhance its independence from Moscow and its position in the world. On 31 December 1953, Zhou Enlai for the first time put forward the five principles of peaceful coexistence in a talk with a visiting Indian delegation, without prior consultation with the Soviet Union.[14] China's efforts to enhance its status in the world quickly brought success at the Bandung Conference in 1955, about one year after the five principles of peaceful coexistence had first been articulated.

In 1956 China for the first time claimed that the five principles were not only applicable to relations between socialist and non-socialist countries, but also could be used as guiding principles for relations among socialist countries. On 12 October 1956, Beijing presented the following view to Moscow:

> The People's Republic of China has always been of the view that the five principles of mutual respect of sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefits and peaceful coexistence should be taken as guiding principles for every country in the world to establish and develop their mutual relations. The mutual relations among socialist countries *should even more* be established on the basis of these five principles.[15]

Moscow took a negative attitude on this point. In a statement in response on 30 October, it deliberately avoided mentioning this point.[16] Beijing made an immediate firm response three days later by officially claiming, in *Renmin Ribao*, that the five principles should also be used for relations among socialist countries.[17] After that, Beijing continued to reaffirm the five principles as a guide to Sino–Soviet relations, and accused Moscow of behaving like a paternal party, dictating to other communist parties. Only in the mid-1980s did the Soviet Union finally verbally accept the principles as guidelines for the conduct of Sino–Soviet relations.[18]

Beijing's intention and efforts at status enhancement had an obvious impact on its foreign policy making and its relations with the Soviet Union. Of course, other factors such as ideological differences also played a part in the Sino–Soviet dispute of the 1950s and 1960s. Very often, factors such as national security obscured insight and analysis into the elements of status discrepancy and status enhancement. However, seldom did China merely focus on its security without considering its efforts at status enhancement. China's nuclear development was a good example of this.

A recent article in *Liaowang* reveals that China began to develop its own nuclear weapons no later than the early 1950s. On 14 January 1954, Premier Zhou Enlai called scientists Qian Sanqiang and Li Siguang to his

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office and asked them to present a report the next day on China's nuclear development, including the situation of China's nuclear scientists, research equipment and nuclear resources. The next day, the report was presented at an expanded meeting of the Central Secretariat chaired by Mao. The author of the report said: "After this meeting of historical importance, China began *in an all-round way* to build its atom bombs".[19] Tremendous resources were spent on this project. For instance, for a time, one-quarter of the entire personnel strength of the China Academy of Sciences was devoted to it.[20]

Obviously, China started nuclear development well before the January 1954 meeting, which only signalled its open and "all-round" development of nuclear weapons. Before then, largely because Stalin was still alive, Mao was careful not to make this development explicit, or, rather, not to give Stalin cause to suspect China's intention at status enhancement. In the early 1950s China had close relations with the Soviet Union, and enjoyed Soviet nuclear protection. The timing of the start of China's nuclear development suggests that China's programme was prompted not only by concern for national security but also, and to a significant degree, intended for status enhancement. Mao said in 1958:

> In this present world, if we do not want to be bullied, we cannot afford not to have that thing [an atom bomb]. . . . An atom bomb is only a little thing. But if you do not have it, others will count you for nothing.[21]

Obviously, Mao was more interested in the implications of possessing nuclear weapons for China's status than on its national security. This point was frankly pointed out by Chinese scholars several decades later, quoting Mao's own words. One Chinese scholar stated:

> Mao Zedong was more interested in the political implications of possessing nuclear weapons than their military implications. That is why he told foreign correspondents that "it [was] enough for China to have only a few atom bombs, six [would] be enough".[22]

On 24 October 1988, Deng Xiaoping also pointed out the implications of developing nuclear weapons on China's status in the world. He said:

> If China did not make efforts to develop atom bombs and neutron bombs in the 1960s and if China was not able to launch satellites, then China would not have such a high position in the world today. These things [atom bombs and neutron bombs] reflect the capabilities of one nation and are a sign of strength of one nation.[23]

Qian Xuesen, labelled the "father" of China's missiles, expressed the same view as he recalled China's nuclear development in its early years. He said:

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"If we do not have nuclear weapons, missiles and satellites, then what position will China have in the world?"[24]

The desire for status enhancement also played a role in Mao's decision to seek *rapprochement* with the United States in the early 1970s and to put forward his "three-worlds" theory.

By the mid-1960s it was clear to Mao that he had failed to achieve his desired status and influence in the world communist movement. Moscow had more influence over most communist parties than Beijing. Mao revealed his frustration in a letter to his wife on 8 July 1966:

> There are more than one hundred [communist] parties in the world, most of them no longer believe in Marxism-Leninism. Marx and Lenin have been crushed to pieces by them.[25]

Mao was neither willing to accept defeat in his squabble with Moscow, nor to admit to mistakes and return to the socialist camp. He then began to pay more attention to the Third World, and attempted to form another international power base outside that of the United States and the Soviet Union. On 22 February 1974, Mao elaborated on his "three-worlds" view to the visiting Zambian President, Kenneth Kaunda. He said:

> In my view, the United States and Soviet Union belong to the First World. Those powers in between, [such as] Japan, Europe and Canada belong to the Second World. We belong to the Third World. . . .Third World has large population. Countries in Asia, except Japan, all belong to the Third World. All African countries belong to the Third World. Latin American countries belong to the Third World.[26]

Through the "three-worlds" theory Mao not only solved China's identity problem, but he also suggested a way for China to enhance its status in the world by establishing another power base independent of the two superpowers. He had realized the political and strategic value of standing with the newly independent Third World countries *vis-à-vis* the United States after the Sino–U.S. *rapprochement*, and in confrontation with the Soviet Union.

In recent Chinese re-assessments of Mao, many scholars note that the importance of the "three-worlds" theory lay in "pointing out which was the main force in world peoples' revolution and which was the force that could be won over and united for this revolution".[27] Mao wanted to rely on "the revolutionary" Third World countries, and win support from the Second World countries to oppose the First World, especially the Soviet Union. This was an extension into the international arena of Mao's united front tactics. During the Chinese revolution, Mao always stressed the importance of leadership in a united front. Beijing explicitly stressed that the Third World countries were the main force in opposing hegemonism.

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Mao never clearly pointed out who was to lead this main force in the international struggle against hegemonism, but the answer was self-evident in the theory. As one Chinese scholar analysed it: China considered itself to be a true socialist country, a developing country and a Third World country, and therefore politically advanced among Third World countries. It also considered itself to be the most powerful country in the Third World, bearing the brunt of Soviet expansionism. Furthermore, China had developed a unique way of revolution and development, and thought, at least at that time, that its experience was applicable to other countries, pointing the correct direction of development for Third World states. In Mao's conception, China was politically the most advanced, suffering most from Soviet expansionism, and therefore most revolutionary. China was the most organized and most powerful among the Third World countries. Consequently, though not put in plain words, China's key role (if not leading role) among Third World countries was self-evident.[28]

The Deng Era

Status enhancement also had a significant impact in Deng Xiaoping's foreign policy ever since the late 1970s after Deng assumed de facto control of the CCP. When Deng made strenuous efforts to push for an international hegemonic united front in the late 1970s, he was mainly motivated by the desire to enhance China's status in the future world order rather than overwhelmingly by his fear of a Soviet military threat, as commonly assumed in the existing literature on Chinese foreign policy.

The evidence to support this argument is that when China increased its warnings of a Soviet threat to its national security and international peace, encouraging the United States and other countries to form a united front in the late 1970s, Deng and other top Chinese leaders held a view about war and the Soviet threat which differed from that expressed in the official Chinese press and from Mao's perception of war as "imminent and unavoidable". (Only in the mid-1980s did China officially change its views of the inevitability of war and the Soviet threat).

One recently published Chinese book reveals a segment of Deng's original speech at the Central Military Commission (CMC) on 1 November 1984, which was omitted from Deng's officially published work *Jianshe You Zhongguo Tese De Shehui Zhuyi* [Building Socialism with Chinese Characteristics]. The omitted passage reads: "We had said *many times in the past* that a [world] war would not break out. In the past, we said ten years [during which a world war would not break out]. Now, several years have passed since then, we may say another ten years [during which a

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world war will not break out]."[29] This intentional omission was confirmed by another recent book from the authoritative PLA Press.[30] It said:

> In 1975, Deng Xiaoping had already said that a big war would not break out in five years. In 1980, he [Deng] said again that the war would not break out in another five years.[31]

After confirming once again in the late 1970s Deng's judgment that a world war could be avoided [not merely postponed], the author went on to explain:

> This judgment was important for the strategically decisive change of the guiding principle of our army building.... As a result, our army changed its previous stress of preparing against an early war, a big war and a nuclear war, being on the brink of an immediate war, to army building in a peaceful period....[32]

This view is confirmed by two other recent Chinese sources. One says:

> As early as 1975, Deng made an analysis of the international situation, and pointed out that peace could be obtained at least for five years.[33]

As soon as he was reinstated to power, Deng made clear his view of war at a plenary session of the CCP's Central Military Commission in 1977:

> The international situation is also good.... moreover, the Soviet Union has not yet finished its global strategic deployment. And the global strategy of the United States, after its defeat in Southeast Asia, has shifted to the defensive — the United States isn't ready to fight a world war yet either. Therefore, it is possible to win a delay in the outbreak of war.[34]

By this, Deng actually challenged Beijing's previous view that a world war was imminent. It could be "delayed", because the two superpowers were "not ready" yet. As Deng made clear at an enlarged meeting of the Standing Committee of the CMC on 12 March 1980:

> After calmly assessing the international situation, we have concluded that it is possible to gain a longer period free from war than we had thought earlier. During this time, we should try our best to cut down military spending so as to strengthen national construction.[35]

Thanks to Deng's new perception of the Soviet threat, China's defence strategy and military industry had already undergone profound changes since the late 1970s from "preparing against an early war, big war and a nuclear war" that was "imminent and inevitable" to "army building in a peaceful time", to serve the overall purpose of status enhancement through modernization.[36]

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The timing of the change of China's view of war threat demonstrates that Deng's intensified push for an international united front against Soviet hegemonism in 1978–82 was profoundly motivated by the desire for status enhancement instead of a concern with an immediate Soviet military threat to China's national security.

Status Enhancement Through Modernization

In seeking to enhance national status, while Mao paid more attention to China's political position and influence, Deng paid more attention to building "real muscles" by making use of the "property" inherited from Mao, that is, China's enhanced strategic and political importance, to promote Western assistance for modernization. Therefore, Status Discrepancy 3, which refers to the gap between China's greatly enhanced strategic and political status in the world, and its relatively weak economic and military capabilities, played an important role in Deng's united front policy.

By the late 1970s, China's geopolitical importance had been greatly augmented, especially through its *rapprochement* with the United States. Partly because Mao had said that he did not like the term "great triangle" and preferred to use "Third World",[37] Beijing seldom described itself in official documents as one of the three angles, and repeatedly claimed to be a member of the Third World. Nevertheless, this did not mean that China did not see its enhanced geopolitical importance. One Chinese foreign policy analyst said in 1981:

> Our country [China] is also one pole. . . .Though economically and militarily, China is very backward in comparison with the Soviet Union and the United States, China has already become a socialist nuclear power and one of major actors in the international political arena. Objectively, it is playing a decisive role. Our country is one "pole" by all means.[38]

Deng believed, as he put it, "If there is a war between the United States and the Soviet Union, if China joins one side, it will be a nightmare for the other".[39]

However, despite the realization of this enhanced strategic importance, China clearly saw the huge discrepancy between its importance and its relatively weak economic and military capabilities. China had a huge "skeleton" — that is, strategic importance, — but not enough "muscle" — that is, economic and military capabilities — to make it a really strong power. The Chinese attributed this huge status discrepancy mainly to the "low level of social productive forces and technology. This reason fundamentally decided the low speed of the modernization of the army".[40]

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This status discrepancy provided strong impetus for status enhancement. In this light, "muscle-building" through modernization, especially access to Western high technology and funds, was the centrepiece of Deng's anti-hegemonic united front foreign policy in the late 1970s, which should be viewed as manipulating U.S. strategic needs in containing Soviet expansionism.

Therefore, China's policy was not merely to seek a "peaceful" environment for achieving the "four modernizations", but also to seek a *favourable* international environment for its modernization by exploiting Western concerns about the Soviet threat and its strategic importance. A "tranquil" environment without a high anti-Soviet stance could reduce China's costs, but would neither promise the huge Western technological and economic support it needed for modernization, nor help it to be quickly accepted into the world community as an important member, as it strongly desired in the late 1970s. By stressing the Soviet threat and China's consequent strategic importance, Beijing could gain easier access to the pool of Western technology and funds necessary for its "muscle-building" through modernization. As Deng put it in early 1980:

> To accelerate China's modernization we must not only make use of other countries' experience. We must also avail ourselves of foreign funding. In past years international conditions worked against us. Later, when the international climate was favourable, we did not take advantage of it. It is now time to use our opportunities.[41]

Hence, Beijing intended to exploit these "opportunities" and its strategic importance for its modernization (Status Discrepancy 3). This intention was revealed by Chinese Defence Minister Geng Biao on his departure from Beijing to Washington in 1980. Geng reportedly stated that China wanted the United States to treat it in the same manner as Saudi Arabia, Egypt and other countries regarded as strategically important.[42] Beijing urged Washington for more support for its modernization by explicitly stating: "If China is modernised [through Western technological and financial support], it will be able to *constrain as much as one-half, instead of one-quarter,* of the Soviet forces. Isn't it a good thing?"[43] Here, in clear contrast to the Western theory of China's fear of the Soviet threat as the rationale for its anti-hegemonic united front foreign policy, China showed its confidence. Clearly, China hoped to exploit U.S. strategic needs to push it into extending more economic and technological support to "modernize" China.

In view of this ultimate purpose, the U.S. recognition of China's status was considered as important to Deng's united front policy. Without this recognition, Deng could not manipulate Washington, and would play the game to his disadvantage. From this perspective, Deng's decision to

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punish Vietnam was only natural. One reason was that Beijing knew quite well that Sino–U.S. normalization at the end of 1978 was, as Zbigniew Brzezinski stated, a U.S. recognition of China's growing military capability and influence in Asia,[44] which would serve Deng's strategy of maintaining and enhancing China's strategic importance to promote more U.S. support. Vietnam's "provocations", such as its alliance with the Soviet Union and its invasion of Cambodia, came at the very time when Deng needed to demonstrate China's strategic weight for his newly unfolded anti-hegemonic united front policy. And the provocative Vietnamese actions, such as their invasion of Cambodia, and uncompromising stance, despite strong Chinese pressure, not only made China experience a loss of face but, more importantly, threatened Deng's strategy of a united front policy to exploit China's strategic weight. If China did not or could not stop Vietnam, its status, strategic value and its intended united front would be put in doubt in the eyes of the West, to the great detriment of its plan of playing a strategic card for modernization. Therefore, China had to do something to stop the Vietnamese. Merely seeking a tranquil environment by showing weakness and making compromises would be harmful to modernization. What was more, a limited military action carefully designed by Deng would not cost much, and it would be well compensated if a united front was formed. What should be pointed out is that the poor performance of the Chinese army came as a surprise to Beijing. Vietnam handled the Chinese attack without withdrawing its troops from Cambodia, and remained there for ten years. However, this does not refute the argument that China had intended to demonstrate its strategic weight before it learnt its own lesson from its troop's poor performance on the battlefield. It is beyond the scope of this article to discuss in detail all the reasons for this military action. However, the analysis advanced here of Deng's intention behind his anti-hegemonic united front foreign policy offers a different perspective to that of others.

Status Enhancement and China's Independent Foreign Policy in the 1980s

In 1979, during the Carter Administration, the U.S. Congress passed the Taiwan Relations Act (TRA). Despite this, China did not seek a confrontation with the Carter, but with the Reagan, Administration on the Taiwan issue, such as U.S. arms sales to Taiwan, and finally abandoned its anti-hegemonic united front policy to adopt the Independent Foreign Policy at the Twelfth National Congress of the CCP in September 1982. Status enhancement played an important role in this evolution of China's foreign policy.

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Since in Deng's vision of the united front, Washington's respect for China's status or importance was an essential requirement so that China could exploit this status for more economic and technological assistance, the significance of President Ronald Reagan's policy on Taiwan, his statements either during the 1980 presidential campaign or in 1981 shortly after he took office, went far beyond the issue of reunification. Chinese leaders repeatedly asserted:

> The crux of the Taiwan problem is not the several dozens of fighter planes but the problem of the inviolability of sovereignty. Some American China experts feel puzzled. . . .This shows that they understand the United States too well, but have very shallow understanding of China. In reality how can it be that we care about only a few dozens of fighter planes?[45]

Indeed, China did not "care about [the sale of] only a few dozens of fighter planes" to Taiwan. The reason was also not the so-called "inviolability of sovereignty". China's sovereignty had been violated more than once before, and on those occasions China did not want to downgrade its relations with the countries concerned simply because of "inviolability of sovereignty".

The Sino–U.S. conflict *in the early 1980s* over the Taiwan issue was less related to the issues of reunification, national sovereignty and security, and more with Deng's overall strategy of status enhancement. China's sharp response to the Reagan Administration was mainly because Reagan's policy on Taiwan, including the TRA and arms sales, sent a clear message to the Chinese leaders that Washington considered that the Chinese needed the Americans more, instead of vice versa as Beijing would have liked to see. This threatened the essence of Deng's united front policy as discussed above, that is, status enhancement. Beijing did not respond sharply to the Carter Administration although the Taiwan Relations Act was passed and signed into law while it was in office. This was largely because the Administration's public attitude on the Taiwan issue and its China policy gave Beijing the impression, rightly or wrongly, that the Administration was still highly respectful of China's status.[46] This respect would still largely serve China's strategy of a united front. But for the Reagan Administration, China had to respond strongly in the hope that this would compel the Reagan Administration to acknowledge China's importance. If China's status was taken for granted, as Reagan's Taiwan policy suggested, Deng's united front policy would become meaningless, since its main purpose, as noted earlier, was to exploit its strategic importance for Western support of its domestic modernization. As China's strong response failed to work in 1980–82, it began to seriously consider playing the Soviet card

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to enhance its bargaining position. In this light, the announcement of the Independent Foreign Policy in 1982 seemed only natural.

It is true, as some scholars have argued, that China's security interests could be better served by standing somewhat apart from the United States than by being closely aligned to it through the announcement of the Independent Foreign Policy. However, this article argues that Beijing had a broader view and more important considerations, that is, status enhancement, than national security, both in its united front policy and in the Independent Foreign Policy. The Independent Foreign Policy was designed to augment China's strategic status by appearing to distance China from the United States publicly, in the hope that this would in fact pull the United States closer.[47] Therefore, despite the change of name from the Anti-hegemonic United Front Foreign Policy to the Independent Foreign Policy, status enhancement through modernization remained the consistently dominant theme in Deng's foreign policy from the late 1970s and throughout the 1980s.

In this light, we can also better understand the eventual stabilization of Sino–U.S. relations in 1984, as symbolized by the exchange of visits by Premier Zhao Ziyang and President Reagan, after a series of sharp conflicts following the announcement of the Independent Foreign Policy. Reagan's concessions on technology transfer to China and on the Taiwan issue largely satisfied Beijing's basic demands and political requirements. While giving China these "carrots", Reagan brandished the "stick" by threatening to shift U.S. strategic emphasis to Japan if China made open-ended demands. This threatened the strategy of the Independent Foreign Policy, which was designed to augment China's strategic status. In other words, Beijing still wanted to make full use of Status Discrepancy 3 to exploit its strategic importance for its modernization. If the United States actually did what it threatened, China would lose what it wanted to achieve. Beijing seemed unwilling to take the risk and judged that the best way forward was to stabilize Sino–U.S. relations and at the same time play the Soviet card cautiously to increase its strategic status and bargaining position.

As for Deng's foreign policy after 1984, since Deng had publicly announced China's new view of war in 1985 and cut the PLA's strength by one million troops, status enhancement through modernization as the essential purpose of Deng's foreign policy became obvious. For this purpose, though national security was also one important consideration, China subordinated its relations with the Soviet Union to those with the United States. Status Discrepancy 3 continued to play a prominent role. China continued to exploit its strategic importance for its modernization, but in a more cautious manner. In the face of its decreasing bargaining position

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vis-à-vis the United States, China made efforts to improve its relations with the Soviet Union. However, because modernization was the essential aim, Beijing took care to ensure that the improvement in its relations with the Soviet Union was to help promote its relations with the United States, and would not be substantive enough to cause the Americans to overreact. The concept of the three obstacles raised by Beijing served to regulate the pace of Sino–Soviet normalization under China's control. This ultimate purpose of status enhancement through modernization as the main target and the consequent cautious diplomatic style, to a large degree, accounted for relatively stable Sino–U.S. relations after 1984 until the Tiananmen incident of 1989.

In the Post-Cold War Period

By the 1990s, the factor of status enhancement through modernization in Chinese foreign policy-making, which might have been vague over the previous four decades, became easier to identify. To be fair, China's desire to enhance its security, prosperity, prestige and influence is no different from that of any other country. However, the following questions should be addressed in this regard:

1. What is China's status or capability now?
2. How will this enhancement of status affect peace and prosperity in the Asia-Pacific and the world?
3. What should other countries do about it?

With the collapse of the Soviet Union, China's strategic status in world politics plummeted. It now has to rely more on its own efforts for modernization (see Status Discrepancy 3). Its economic reform since the late 1970s has so far made spectacular achievements and its trajectory to date suggests that it may emerge as a complete and comprehensive power in the long term. This rise challenges the traditional concepts about rising powers, that is, in the past, rising powers controlled their boundaries, had minimal social unrest, and had settled institutional arrangements. China's rise, especially in the years immediately after the Tiananmen incident of 1989, however, has occurred under conditions of uncertainty: socially unstable, politically unsettled, while culturally proud, economically dynamic, and territorially amorphous. These qualities have not coexisted in previous rising powers.[48] Though China's rise is not based on geopolitics, like some other powers, especially in their colonial times, much concern has been expressed over this rise. This concern was recently exacerbated by various predictions that China would soon overtake the United States

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as the world's largest economic power. For example, the World Bank puts this date in eight years, that is, 2003.

However, the recent Sino–American bargaining over China's bid to enter GATT/WTO before 1995 and trade issues such as the protection of intellectual property rights, have highlighted China's weakness. Its economic leverage is mainly its import market and inward foreign investments. Its exports, mainly light manufactures, especially clothing, which accounts for 20 per cent of Chinese exports, does not place it in a strong bargaining position. With its industrial output only 10 per cent that of the United States, China will have to take much more time to match the latter, to say nothing of the fact that its economic growth is compromised by high inflation, widespread environmental degradation and a growing population. China is still far from completing its tremendous and politically risky economic transition. Its distorted economic system, with its dual-track economy, plus its social institutions, will take a long time to shape to propel it to the status of a global economic power. Before that, there is no certainty that China's economic dynamics will not lose its current momentum.

It also has many other vulnerabilities that might impede its efforts for status enhancement in years to come. As for its eastern and southern flanks, China is suspicious of U.S. intentions to have closer political ties with Taiwan and expanded relations with Vietnam so as to contain China. On the Hong Kong issue, China is equally suspicious of British intentions not merely to retain an interest in its former colony but also to influence China's domestic politics, sabotage its momentum in modernization and complicate its security situation in its south (a three-point line of possible domestic political unrest, that is, Taiwan–Hong Kong–Tibet).

China is concerned over the uncertain situation in North Korea and the rising awareness of ethnic Koreans living in China — that is, the so-called strong "Korean wind" in the Yanbian region of China[49] — North Korea's territorial claim in June 1994 to a part of Chonji, the crater lake on Mt Paektu, inside China,[50] and its rejection of China's request for access to the sea via the Tumen River.[51] China is also concerned about potential conflict on the Korean peninsula that might pull China in, and is deeply suspicious of U.S. intentions there. It is also suspicious of potential Japanese re-militarization and of Japan playing the Taiwan card, as in the case of the Japanese invitation to Hsu Li-teh, Taiwan's deputy premier, to attend the October 1994 Asian Games in Hiroshima.

China is also vulnerable in its northern and western flanks. Russia, if it resurrects itself as an expansionist power, could be China's most deadly enemy. Russian opposition leader Vladimir Zhirinovsky's recent remarks about arming India into a superpower only exacerbates China's

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apprehension over another vulnerable area, that is, its western flank. These vulnerabilities seem more acute with the increasing "ethnic separatist" tendencies in Tibet, Xinjiang and Inner Mongolia. The pan-Mongolian movement, which Beijing accused Washington of supporting in order to split China, was manifested in the First World Conference of Mongolian peoples, held in Mongolia in 1993.[52]

In Xinjiang, where half of the population are non-Han Chinese, such as Uighurs, Uzbeks, Kazakhs, Kyrgyz and Tartars, Islamic fundamentalism to turn Xinjiang into an independent Republic of East Turkistan is China's nagging worry. Groups in the former Soviet republics of Kazakhstan and Kyrgyzstan openly support this independence and some of them are even registered by local governments while others are tolerated. The present stability in these border regions is maintained largely because the neighbouring countries are currently not economically better off. Before its coastal economy is fully developed and brings prosperity to these inland regions, China will always be strategically vulnerable in its northern and western hinterlands. With this vulnerability, there is constant worry about outside powers playing the Tibet card, the Xinjiang card and the Inner Mongolia card, and China cannot afford not to look inward in these areas. (The fact that China did not make good use of the Soviet Union's dissolution to significantly extend its strategic influence into former Soviet republics might suggest this vulnerability and inward-looking tendency). All this must be added to the fact that much of China's attention will continue to be occupied internally by the demanding task of transforming itself.

Even if China's modernization proceeds smoothly well into the next century, other powers or its competitors, such as the United States and other Western countries, Japan and India, might well place constraints on China.

With these internal and external vulnerabilities and uncertainties, China might find it against its interests to adopt an aggressive stance, which might succeed in pushing other powers into forming a coalition of containment. For example, a massive military advance southward would likely push the states to the side of the other powers. The scenario of ASEAN linking with Japan and/or India, backed by the West, to form a containing chain along China's southern flank is the last thing China wants.

In this light, it is to China's interest to avoid a conflict over the Spratly Islands. The recent Chinese proposal to the Philippines to jointly develop the resources in their disputed areas of the Spratlys may indicate an intention to lower the tension there.

Apart from the Spratlys, China has also taken pains to mend or improve relations with its neighbours. It continues to improve its relations

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with Japan despite its historical suspicion, and maintains good relations with North Korea despite differences over each other's domestic policies. Its relations with South Korea have greatly improved since the two normalized ties in 1992. Trade between them has mushroomed to US$9.1 billion in 1993 from $6.37 billion in 1992.[53] Now China ranks South Korea as its sixth largest trading partner while China is Seoul's third largest. South Korean investment in China has ballooned from about $6.4 million in 1989 to $260 million in 1992, $622 million in 1993[54] and 1.67 billion in 1994.

Despite Russia's current difficulties, China chose to quickly conclude border talks with Russia instead of waiting for a better bargaining position. To soothe Mongolian worries, a "Treaty on Friendly Relations and Cooperation Between the People's Republic of China and Mongolia" was signed in late April 1994, reaffirming China's recognition of Mongolia as a sovereign state. China shelved its border dispute with India and started negotiations on reducing troops along the Sino–Indian border. It also hinted that its position in the dispute over India's Sikkim state could be changing, which is further evidenced by its recent opening of a trade pass to that state. It has also recently improved its relations with Vietnam through, for example, its president visiting and setting up a committee to resolve their border dispute. The recent Chinese response to the U.S. grant of a visa to ROC President Lee Teng-hui to visit his Alma Mater in the United States did not signal a turnaround in China's current "conflict-avoidance" policy, but only served to tell Washington that "enough is enough".

Judging by what China has been doing thus far, as a big power, China is not behaving any worse than other big powers, like Russia in Chechnya, who, if put in China's place, with a series of humiliating defeats such as the failure to enter GATT/WTO before 1995 and to hold the 2000 Olympic Games, the U.S. economic sanctions, the Yinhe Ship incident, and Lee Teng-hui's visit to the United States, might not behave in such a restrained manner. Adopting a double standard to judge China could lead it to perceive others as harbouring hostile intentions to contain or weaken it and take corresponding confrontational counter-measures when it would not do otherwise. It cannot be confidently said that China will continue to put up with these humiliations (what the Chinese call provocations). Subsequent scenarios may possibly include a divided East Asia (Northeast and Southeast Asia) or even an "Asian Bosnia". Does this serve the interests of East Asia? Is this good for the West?

Clearly, the speculation of China being a threat is not based on how China is behaving now but is due to uncertainty about its future intentions after its status has been enhanced, and the fact that there are still no multilateral security arrangements in East Asia to give the countries there

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confidence of future security. In this sense, this concern is completely understandable.

China is rising. Indeed, there are no moral grounds for outside countries to keep the Chinese in poverty while their peoples remain rich. As the Chinese become richer (they consider it part of their human rights to be as rich as peoples of other countries), even if insignificant in terms of per capita, the influence of their state, which has a population of 1.2 billion, will surely grow immensely. This rising influence arouses worries by other countries including its neighbours. However, the question to be asked is: what should be done?

The most dangerous temptation to be avoided is to slip into the belief that anyone outside China can determine its future. However, while recognizing that there is no certainty as to what China's future holds, this author takes the view that actions taken by other states do affect China. Actions to weaken China or to keep the Chinese poor, as they would thus interpret it, is not only morally wrong but might serve to make the whole Chinese nation radically nationalistic, and this would have severe implications for its neighbours and the world. Actions to isolate, confront or even contain China would likely leave a divided East Asia full of tension and conflict, and thus deprive the area of its future stability and prosperity. Therefore, a policy of engagement and non-confrontation should be adopted to weave China into webs of economic interdependence, and engaging it in the global economy by integrating it with regional and world organizations such as APEC (Asia-Pacific Economic Co-operation) and GATT/WTO, and in multilateral security arrangements such as the ARF (ASEAN Regional Forum). Countries should approach China with a sense of respect and understanding of its political traditions, rather than disdain and seeking to transform those traditions to accord with Western values. If other countries try to engage, rather than isolate and contain, China, emphasizing co-operative and mutually beneficial multilateral action, China's rise will be more an opportunity than a threat.[55] Any ganging up on China, instead of engaging and working with it to direct its growth in a sustainable, peaceful direction, would most likely backfire.

Conclusion

In conclusion, status discrepancy and status enhancement have been important elements in Chinese foreign policy ever since 1949. This status enhancement or rise of China has now aroused considerable international concern over a China threat, though not always with sound justification. The temptation to be avoided by Chinese policy-makers, however, is to view the rest of the world as hostile to China and resort to confrontation, or

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to bury its head in domestic modernization without seeking understanding from and building mutually beneficial co-operation with its nervous neighbours, or to view multilateral co-operation simply as an international attempt to contain itself. China should come to see that its prosperity does not simply rest upon its own hardworking people, even with the door open. It also rests upon a cohesive and prosperous East Asia and an understanding world.

NOTES

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3. Propaganda Department of the Central Committee of the CCP, "*Shiyijie Sanzhong Quanhui Yilai Dangde Xuanchuan Gongzuo Wenxian Xuanbian*" [Selected Documents of the CCP on Propaganda Work Since the Third Plenary Session of the 11th Central Committee of the CCP] (Central Party School of the CCP, Beijing, 1989), p. 89.
4. Mao Zedong, "*Buyao Simian Chuji*" [Don't Hit Out in All Directions], in *Mao Zedong Xuanji* [Selected Works of Mao Zedong], Vol. 5 (Beijing: People's Press, 1977), p. 21.
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8. "China's Policy towards the Spratly Islands in the 1990s", Working Paper no. 287 (Strategic and Defence Studies Centre, Australian National University, 1995); "Peking and the Spratlys in the 1990s", *Issues and Studies* 31, no. 7 (July 1995); "The Prospect of the Spratlys Dispute between China and the Philippines" (*Zhongfei Nansha Zhizheng Ji Weixian Fazhan*), *Mingpao* (Hong Kong, monthly journal), May 1995; "Spratlys Disputes" (*Nansha Fengyun*), *The Mirror* (Hong Kong, monthly journal), June 1995; "Island Fever", *Far Eastern Economic Review* (Fifth Column, 8 December 1994).
9. For the whole process of this dispute, see Li Yueran, *Waijiao Wutai Shang De Xin Zhongguo Lingxiu* [Leaders of New China on Diplomatic Stage] (Beijing: PLA Press, 1989), pp. 187–97.

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10. By this statement, I do not mean to deny that other elements such as national security also played a significant role in the Sino–U.S. *rapprochement* in the 1970s.
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14. Zhang Jincao, "*Heping Gongchu Wuxiang Yuanze Yongfang Guangmang*" [Five Principles of Peaceful Coexistence Shine Forever], *Faxue Zhazhi* [Journal of Legal Studies], no. 2 (1985), p. 8. See also *Guoji Zhanwang* [International Prospects], no. 6 (1985), p. 16; Sun Liancheng, "*Cangdao He Jianchi Heping Gongchu Wuxiang Yuanze*" [Advocate and Hold the Five Principles of Peaceful Coexistence], *Guizhou Shehui Kexue* [Social Science, Guizhou Province], no. 2 (1985), p. 56. See also Zhu Qiwu, "*Lun Heping Gongchu Wuxiang Yuanze*" [On the Five Principles of Peaceful Coexistence], *Zhengfa Luntan* [Forum on Political and Legal Affairs], no. 3 (1985), p. 7.
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16. Ibid.
17. *Renmin Ribao*, 2 November 1956. See also Zhang, "*Heping Gongchu Wuxiang Yuanze Yongfang Guangmang*" [Five Principles of Peaceful Coexistence Shines Forever], p. 9; Sun, "*Cangdao He Jianchi Heping Gongchu Wuxiang Yuanze*" [Advocate and Hold the Five Principles of Peaceful Coexistence], p. 57. Beijing's statement of 12 October was conveyed to Moscow through an internal channel and was not published in the press at that time.
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24. Qian Xusen, "*Zhou Enlai Guanhuai He Lindao 'Liangdan' Yanjiu, Zhizao He Shiyan De Qinkuang*" [How Zhou Enlai Cared for and Led the Research, Manufacture and Experiment of "Atom Bomb and Missiles"] in Central Documents Publishing House and Central Archives Office of the CCP; and *Zhonggong Dangshi Fenyunlu* [Major Events on the History of the CCP] (Beijing: People's Press, 1990), p. 69.
25. Gao Gao and Yan Jiaqi, *Wenhua Dageming Shinian* [Ten Years of the Cultural Revolution] (Tianjin, China: People's Press, 1986), p. 30.
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46. Various statements by President Carter and other U.S. officials after the Taiwan Relations Act was passed greatly helped to mollify Chinese concerns over Carter's respect for China's status in his global strategy while Reagan's statements on Taiwan had the opposite effect. For a detailed analysis of this point and China's assessments of Carter's

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and Reagan's China policies and the reasons why it took different approaches towards the two administrations on the Taiwan issue in the early 1980s, see my article "China's Independent Foreign Policy", *Pacific Focus* 9, no. 1 (Spring 1994).

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SHENG LIJUN is a Research Fellow of the Institute of Southeast Asian Studies, Singapore.

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The Future Prospects of Sino–Vietnamese Relations: Are Trade and Commerce the Critical Factors for Sustainable Peace?

CLIFFORD J. SHULTZ, II and
*WILLIAM J. ARDREY, IV**

The frequently contentious relationship between China and Vietnam is often seen as a critical component that may impede the continuing economic progress of Southeast Asia. The purpose of this article is to review that relationship, some of the underlying factors that affect it, and to share prognoses for future relations. Both pessimistic and optimistic views are presented. The article concludes with the argument that mutual gain through trade and commerce will far outweigh the benefits to be derived from political discord, sabre-rattling, and military involvement, and that despite the inherent instability associated with past hostilities and uncertainties about future leadership and territorial claims, in the final analysis both countries will effect policy decisions that will enable further economic growth and regional harmony.

Introduction

The collapse of the Soviet Union, the emergence of China as an economic and military power, Vietnam's successes with *doi moi* and its historical circumspection towards China, the rise of ASEAN (Association of Southeast Asian Nations), and the ambivalent policies of the United States in Southeast Asia raise questions about the future prospects of Sino-Vietnamese relations. Many regional stakeholders, distant foreign investors

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and policy analysts consider the somewhat precarious political and economic processes evolving between China and Vietnam to be a litmus test for regional harmony, thus making the relationship between these two nations a compelling study. The objective of this article is to examine this relationship and to posit future scenarios for these two countries as their people, governments and economies prepare for the next millennium.

The end of the Cold War, coupled with recent trends in East and Southeast Asia to replace war and violent nationalism with negotiation and compromise, has presented China and Vietnam with an opportunity to improve their historically adversarial relationship. For most nations, ideological shifts now dictate that competition for investment and economic gains have, on the whole, replaced territorial ambition and military conflict. China and Vietnam are no exceptions and the leaders of both countries realize that continued prosperity in the Pacific Rim requires peace. They also understand that the ability to meet the rising expectations of citizens depends on greater economic prosperity. Thus, expedient foreign policy decisions that minimize conflict will permit the ruling communist parties in Beijing and Hanoi to concentrate on economic goals. But despite the obvious mutual gains that are made possible by co-operation, China and Vietnam continue to be involved in the two major flashpoints in the region, namely, the Cambodian crisis and the disputes over the Spratly Islands. Other regional players will carefully watch how China deals with territorial, commercial and political disputes with Vietnam, since Vietnam "is the country most sensitive and vulnerable to Chinese domination".[1]

The United States' withdrawal from the Philippines and the absence of Soviet influence in Vietnam place China as the de facto military power in the region. Indeed, relative to the situation witnessed in the last forty years, a power vacuum, or at least a power shift, has clearly emerged. However, the Chinese position on the current situation tends to focus more on immediately relevant outcomes; that is, the Chinese contend that "there is not currently a power vacuum in the region, there is peace".[2] Nevertheless, history suggests that China might be tempted to use its virtually unchecked military power to pursue expansionist ambitions on its southern border, but if China can manage peace with its Vietnamese rival, the prospects for regional peace and greater prosperity are quite good.

Predicting such a scenario, however, may be premature. Normalization of relations in November 1991 and the recent acceptance of Vietnam into ASEAN have not ended the disputes between these contentious neighbours. For centuries, Vietnam has shown China that it will not be dominated or forced into submission. One can truly argue that "there is no more powerful counterweight to Beijing than Hanoi, whose tiny army bludgeoned China in their 1979 border war".[3] Yet, border tensions and potential military

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clashes continue to be a reality of Sino–Vietnamese relations. Furthermore, the People's Republic of China (PRC) may decide to rely on its "blunt but nonetheless destabilizing military capabilities to establish itself as a regional presence".[4] Fortunately, China, through its economic success and greater openness to the outside world, has shown that it may be less of a threat to regional stability — and a model for transforming economies such as Vietnam. Although future relations may never be characterized as warm, optimists hope the two nations will strive towards improved economic and political co-operation and mutual prosperity.

The Making of Chinese Foreign Policy Towards Vietnam

Chinese foreign policy towards Vietnam tends to consist of four principle factors: national interests, domestic concerns, bureaucratic politics and other external factors — that is, Japanese and American influence and multilateral institutions, such as ASEAN, will also affect Chinese foreign policy towards Vietnam. Each factor is briefly discussed below.

China's National Interests Regarding Vietnam

Since 1979 China has focused many of its resources on economic growth. From the standpoint of foreign affairs, China seeks relations with its neighbours that will be peaceful enough to enable the Chinese Communist Party (CCP) leadership to continue its policy of economic modernization.[5] At the same time, the PRC has pursued consistent overall foreign policy goals that are intended to preserve China's territorial integrity, to recover lost territories considered to be part of the PRC, to recognize the PRC as the sole legitimate government of China, and to enhance China's international stature.[6]

Relations with Vietnam are primarily subsumed under the last goal. Now China's national interests are less threatened by Vietnam for three reasons: 1) Soviet influence has evaporated; 2) Vietnam focuses on economics and takes a lesser role in Cambodia, and 3) Vietnam is relatively poor and somewhat isolated internationally. Vietnam's economic development has only begun to accelerate in the last few years and the extent to which a foreign power or political bloc could leverage the country as a strategic front *vis-à-vis* China, and thus threaten China, is equivocal. The Chinese leadership believes that if it can maintain the status quo, and avoid threatening an ASEAN-backed Vietnam that is committed to pursuing peace, other nations will not try to leverage Vietnam as a counterbalance to Beijing.[7]

Although this policy towards Vietnam is currently non-threatening,

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China wishes to have its interests taken seriously by Vietnam and has historically been willing to use military force directly, or to finance other parties with similar interests, such as the Khmer Rouge, to enhance its bargaining position in Southeast Asia. For example, while the Chinese leadership may make statements that it intends to reduce support for the Khmer Rouge, "China seems unlikely to lose its interests in political developments in Cambodia, particularly as a source of potential leverage on Vietnam".[8]

The Chinese policy may appear more peace-oriented and co-operative, but it is not intended to permit Vietnam to expand its interests within Southeast Asia. Moreover, Beijing's foreign policy establishment believes that its enhanced international stature should permit China to influence events beyond its borders in pursuit of national interests. In the case of Sino-Vietnamese relations, China now feels that it is dealing from a position of strength, and that the Vietnamese "will have little alternative other than to accommodate themselves to Chinese power. . . in the wake of Soviet retreat from Indochina, no other state can offset China's considerable power on its periphery".[9] Despite the slow re-emergence of the United States as an influential player in Vietnamese affairs, the present factors that underlie this condition indicate that China will continue to negotiate from a position of strength. Singapore Senior Minister Lee Kuan Yew seems to have recognized this when he spoke of the ASEAN states bringing China into dialogue with all its neighbours, stating "If you have a China out to make mischief, that increases the costs. Why not hoist the fellow on board".[10] If China is, in fact, brought "on board" and therefore begins to receive the recognition it feels it deserves from the ASEAN members, including Vietnam, it might demonstrate more policy flexibility since its growing strength will have been acknowledged.

Domestic Concerns

The nature of Chinese foreign policy is, of course, complicated and involves more than dyadic involvement with Vietnam. Analyses often fail to address internal factors and in the case of China, scholars have increasingly pointed to their importance. For example, party politics and questions such as how the development of domestic affairs and ideology can change the basic perception of national interests and diplomatic strategy are influencing foreign policy behaviour. More specifically, the CCP leadership has undergone a number of changes in its method of pursuing foreign policy and, although China is generally regarded as an authoritarian regime, with the élite leadership making virtually all decisions, authority has moved from "vertical authoritarianism" (one paramount leader with the power

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to silence opposition, for example, Mao) to "horizontal authoritarianism" where Deng serves as the final arbiter among senior factions managing foreign policy. Since the events of Tiananmen Square in 1989, even mass politics in the form of political demonstrations and passive resistance has, somewhat surprisingly, had an impact on foreign policy,[11] and while popular influence will most likely remain, as the domestic political system moves towards "authoritarian pluralism",[12] it is probable that horizontal authoritarianism will continue to affect foreign policy after Deng's leadership passes.

The élite principally continue to manage the foreign policy process and this holds for China's relationship with Vietnam. As part of this policy, China sees itself as having an important historical mandate to play a role in Southeast Asia,[13] and the élite envisages its role as guiding the masses towards the support of policies that restore China's sense of having an important place in the world.[14] To some extent, the Chinese leaders and masses still believe in the traditional "Middle Kingdom" world-view, in which China was/is the epicentre of culture and influence. This is not to say that pragmatic leaders in the PRC expect a romanticized Middle Kingdom to emerge, but "it would seem that the traditionalist element of the PRC's foreign policy has aimed at placing the country in a position of international respect. . . thereby reversing the previous century's experience when it occupied a position of inferiority. . . ."[15] This position has helped to foment a shared sense of history among the Chinese people that provides tacit internal support for China's international ambitions and implicit justification for intervention in regional affairs. Recent hostile events involving the Spratly Islands inspired President Yang Shangkun to speak of Beijing's "indisputable sovereignty" over the islands, which are in fact claimed by many nations.[16] Thus, it seems, the Chinese people and leadership continue to feel that they should have at least some influence in the areas once controlled by China.[17]

Assuming the leadership succession crisis is managed in Beijing, China cannot help but grow in power; projections are that it will have a gross domestic product (GDP) of almost US$2 trillion in 2010.[18] With the inclusion of Hong Kong, China's economic might will dwarf that of its neighbours, save Japan. To some extent, the domestic factors will push the PRC to use this power to pursue its national interests *vis-à-vis* Vietnam, aiming for 1) economic growth and 2) improved international prestige. It is probable that China will leverage a substantial portion of its enhanced national wealth to augment its power and influence. This leverage would be consistent with China's (re)vision of a restored Middle Kingdom and would also force other Southeast and East Asian countries to consider the costs of aligning with extra-regional powers hostile to Chinese interests.[19]

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For many regional states, the rise of a new Middle Kingdom portends less than optimal alternatives and perhaps inevitable conflict. The Chinese, conversely, often tend to view countries such as Vietnam as members of "East Asia's classical civilization", which is of course rooted in Chinese culture and traditions.[20] And advocates of the new Middle Kingdom worldview see China as having historical rights to play the role of gendarme in Indochina.[21] Élite interests in a "restoration" of an expanded role for China in Southeast Asia will continue to influence its foreign policy decisions towards Vietnam. An overly competitive Vietnam and certainly a Vietnam aligned with the likes of the United States might provoke Chinese leaders against Hanoi. A co-operative Vietnam would permit the leaders to view the relationship as one in which China has resumed its historical role as the dominant party.

Bureaucratic Politics

The policy-making process that defines China's policy towards Vietnam involves bureaucratic politics. As the Deng era comes to a close, foreign policy decisions will no longer be centralized in a vertical command structure. Rather, they will be decentralized in political plexuses, intellectual centres, and organized interest groups while being administered from the centre of the apparatus. This approach will enable leaders to tap fresh ideas and to explore divergent interests while still maintaining central control.

In China, the CCP continues to lead every political institution. Thus, the CCP has a foreign policy staff (the Central Committee's International Liaison Department), whereas the Chinese Government has its own foreign policy organ, the State Council, including the Chinese Ministry of Foreign Affairs (MFA). The Chinese National People's Congress (NPC) has its own Foreign Affairs committee. As decision-making becomes more horizontal than vertical, local politicians and regional field armies also contribute to foreign policy decisions. Hainan and the provinces bordering Vietnam have an interest in expanding trade with China's neighbour and are receptive to Hanoi's interest in improved relations which, for geopolitical reasons, might run counter to Beijing's interests regarding a slower thaw in relations.

Within this horizontal decision-making structure, the character of the players has changed from revolutionaries to technocrats. Technocrats have their own schools of thought, which can be most easily distilled into two camps: the Reform Internationalists (RI) and the Reform Nationalists (RN). Although they may disagree on the pace and scope of changes in foreign policy, both are pressing for even greater economic changes, especially

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those pertinent to regulations on private capital.[22] Additionally, technocrats are generally younger and better educated than their revolutionary predecessors and have brought a degree of professionalism into the Chinese diplomatic establishment. It is plausible that we might someday see foreign policy decisions based more on the art and nuances of persuasion and subtle influence than on dogmatic political or even military efforts. Technocrats are gradually growing in influence in the Chinese foreign policy establishment, but when and to what extent they will provide a critical mass in policy decisions remains to be seen. Nevertheless, Vietnamese interests might be facilitated by the new guard.

A strengthening of the RN school of thought within the Chinese bureaucracy could, however, inhibit an improvement of relations with Vietnam. This school is usually associated with strong nationalist sentiments that will keep alive territorial disputes, including the dispute with Vietnam over the Spratly Islands. Unfortunately, "(a)n RN leadership (is generally regarded as) more willing to countenance the political and economic fallout from militant confrontation in the South China Sea. . . ."[23] Again, however, their day has not yet come and the more pragmatic approach of the compromise-oriented technocrats within the bureaucracy will likely prevail, at least in the short run.

Bureaucratic politics complicates the Sino–Vietnamese relationship. Where vertical authoritarianism could impose improved relations — or initiate confrontation — by fiat, bureaucrats, technocrats and competing interests will prevent a clear policy from evolving soon. Thus, the newly-installed garrison of marines on Hainan island might seek to initiate conflict over the Spratlys, and at the same time Chinese trade missions are seeking business opportunities in Vietnam. One would expect bureaucratic politics to keep bold initiatives from evolving between these nations. Bureaucracy should also cushion the relationship from the danger of sudden conflict.[24]

Other External Factors

Chinese foreign policy may be devised in Beijing, but its implementation is affected by many external factors, including other countries as well as multilateral organizations. Its economy depends on investment and technology from Japan, other affluent Asian neighbours and the West. Its military must measure itself against ASEAN — which now includes Vietnam — and its other more technologically developed neighbours. On the latter score, China is concerned about prospects for a re-armed Japan; in 1990, Japan's nominal defence spending was six times that of China[25] and the Persian Gulf war clearly demonstrated the capability of the Western powers to destroy, in a matter of weeks, a less technologically sophisticated opponent.

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From the view of the other global players, "Strategically, the big issue in Asia will be the containment of China, whose military might and appetite will grow as China grows."[26] Vietnam again might find itself thrust into the role of counterweight by the United States, Russia, Japan, Korea and ASEAN. The upshot of such one-upmanship thinking among all parties is that it could spiral towards serious conflict.

Besides direct security and economic constraints, China increasingly participates in international organizations. Jiang Zemin, General Secretary of the CCP, has spoken of China's interest in participating in multilateral and bilateral economic co-operation, especially in the Asia-Pacific region.[27] This external orientation towards world affairs, coupled with growing economic clout and extant military capabilities, indicates that China has made an unprecedented move into uncharted political waters in which the Chinese foreign policy establishment "follows a real, if unstated, maxi/mini principal: maximizing China's rights and minimizing China's responsibilities".[28] But Chinese policy-makers sometimes tend to regard multilateral organizations as constraints because they want to become a member of all the prestigious ones; attacking one of its neighbours, such as Vietnam over the Spratlys, would make this difficult. Indeed, multilateral organizations help to keep Chinese policy grounded in activities that have the greatest outcomes for the largest number of people/countries. That is, international organizations help to strengthen the hands of bureaucratic technocrats or RI leaders, and to explain the costs of pursuing an aggressive RN policy in Southeast Asia. To illustrate, consider that organizations such as the Asian Development Bank will give incentives to pragmatic peacemakers as they plan "an infrastructure network to link the economies of Myanmar, Laos, Thailand, Cambodia, Vietnam and southwestern China into a regional market of 220 million people".[29] A China experiencing robust economic growth will probably see more benefits in exploiting that market through business, rather than military means.

This belief leads us to a final external factor that will influence China: growing trade among Southeast Asian nations, particularly the Greater Mekong sub-region, which includes Thailand, Laos, Cambodia, Myanmar, Vietnam and Yunnan Province. Such regional trade, which began as small-scale border trade and smuggling, and trade sanctioned by provincial authorities, has grown to include commercial activity inspired by state-owned enterprises and newly privatized industries.[30] Currently, more than 13 per cent of China's total trade is with Southeast Asia, and among China's trade partners, this region has the steepest growth rate. Furthermore, the Asian Development Bank plans to finance numerous projects to link all the neighbouring countries, including China and Vietnam, with the hope that investment, trade and technology will be exchanged

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equitably among these states so that eventually the economic imbalances will become rectified.[31]

Increased trade gives China and Vietnam common interests. Internationally, Vietnam opposed recent U.S. trade sanctions on China for fear of being flooded with Chinese goods that would lack markets in the West if the sanctions were imposed.[32] Domestically, China's regions are growing in wealth, and as their wealth accumulates they are likely to have greater influence in policy decisions that affect regional outcomes. Developing border trade with Vietnam will be part of the economic and political agendas for China's southern provinces and they will press the central apparatus to affect policies favourable to their interests. Although Vietnamese markets are not vital to the provinces, their proximity and growth potential make them very appealing. Similarly, Vietnamese often prefer Chinese goods, much to the chagrin of the Vietnamese authorities. Thus, as with other issues, trade dynamics require a delicate balancing act by Chinese and Vietnamese officials.[33]

Cross-border trade has actually led to investment in Vietnam by PRC companies. Speaking at the conclusion of Jiang Zemin's visit to Hanoi in 1994, Chinese Foreign Minister Qian Qichen said that he saw "broad prospects" for future trade and economic relations, and cited an 80 per cent increase in trade, as well as specific Chinese investments, such as the Thai Nguyen Iron and Steel Works in northern Vietnam, which is being overhauled with Chinese economic assistance. Jiang Zemin himself spoke further of joint efforts to revitalize ports and harbours and "supporting diversified economic and technological co-operation between enterprises from both sides".[34] Recent trends indicate that Chinese companies are presently increasing their presence in Vietnam.[35]

If China contemplates unilateral action in the region, especially military action over the Spratlys or other parts of the South China Sea, many of these external factors will combine to constrain China. Firstly, China benefits from the status quo — prestige and trade with little responsibility — therefore, China arguably has little incentive to be avaricious; secondly, multilateral organizations will seek to dissuade China from any rash course of action; and finally, the ASEAN members may retaliate against China, either militarily (although this scenario is not likely), or through withholding needed investment and technology. Other scenarios, categorized as pessimistic views and optimistic views, are discussed below.

The Pessimistic View of Future Relations

There are opposing views about which direction relations will turn.

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One possibility is continued confrontation. Although China has not been able to dominate Vietnam completely, Beijing has the capability to bully Vietnam. Beijing could pressure Vietnam to give up claims in the Spratlys, or militarily punish Vietnam for taking trade or political positions counter to Chinese wishes. Such pressure could be manifested directly, either by mobilizing troops that would demand a response from Vietnam, which it cannot economically afford, or by creating problems in the Spratlys and/or Cambodia.

China's Military Capabilities to Bully Vietnam

Even though China may not have the most technologically superior military hardware, from the standpoint of sheer numbers, China possesses vastly larger military power than any of its neighbours. China's growing economy permits it to spend more total dollars on defence. Its growth, the size of its population and its geographic mass collectively suggest that no single neighbour could inhibit China; effective influence will require a consensus from Japan, ASEAN, the United States and perhaps Russia.[36] At this time, virtually all of China's neighbours accord the PRC a healthy respect.... "No Asian leader dismisses the PRC as unimportant to the future of its neighbours",[37] but by failing to reach a policy agreement non-Chinese regional players could send signals to Beijing that implicit approval has been given to the Chinese leadership to threaten Vietnam.

Meanwhile, China is increasing its air and naval capabilities to protect territory that it perceives as belonging to it — especially resource-rich territory over which undisputed sovereignty is now claimed — and is unquestionably on a quest to secure minerals, resources and petroleum from the oceans to support its growing economy and world influence. To that end, China has constructed helicopter pads on the islands it occupies, and has acquired long-range aircraft to help Beijing project power into Southeast Asia. While China will not become a major "blue-water" naval power in the near term, the recent military build-up expands Beijing's ability to attack enemy vessels in coastal waters, particularly in the vicinity of the disputed Spratlys.[38] The 1992 territorial waters law drafted in Beijing directly threatens Vietnamese interests in the offshore islands and their resources. An expansionist interpretation of this law by the Vietnamese and others would not be irrational. Consequently, Vietnam must continue to be wary that China will use its new hardware to threaten either Vietnam or other Asian nations, should diplomacy and economic prosperity fail to keep the peace.

Chinese military doctrine historically has been focused on survival.

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Responding to threats from foreign powers — British colonial powers, Japan, the United States, the USSR — has been common to China for almost a century. More recently, China's interests to acquire aircraft carriers and modern aircraft, and to develop medium-range missiles will expand its capabilities beyond defensive needs. China's capabilities to project power and to contest such territory as the Senkaku islands, or to destabilize the region in a dispute over the Spratly Islands, must be addressed when examining the future of Sino–Vietnamese relations.

For medium powers such as Vietnam, the indeterminate nature of the post-Cold War structure in Southeast Asia increases flexibility and leverage, permitting Vietnam to enter into relations with the United States, Japan and Russia.[39] However, the growth of a strong historical nemesis such as China increases apprehension; China could also choose a threatening posture towards Japan and other nations with which Beijing has territorial disputes, and which will indirectly threaten peace and the climate of prosperity. "There is today a heightened sensitivity that Beijing's enhanced military capability coupled with its renewed assertiveness over territorial issues could translate into a destabilizing bid for regional hegemony in post-Cold War Asia".[40] One must consider whether China intends to take actions that would threaten future Sino–Vietnamese relations directly, or affect the stability of the region.

A worsening of the economic and political situation in China could cause investors to look for other markets. Vietnam could thus become a competitor to China. Indeed, "China is Vietnam's most formidable competitor for foreign investment in the immediate term".[41] Companies looking for purely low-wage environments and the intrinsic value from a market of over seventy million people now consider Vietnam. A gloomy economy in China and a successful strategy by the Vietnamese to court foreign investment could anger the Chinese, leaving the military unchecked by positive economic interests.

China's Threatening Posture

A direct attack on Vietnam is not an immediate concern, but China could choose to threaten Vietnam. Skirmishes over the Spratleys, intimidation tactics in the South China Sea and China's enhanced capabilities could be categorized as threats. This activity has not gone unnoticed by other countries in the region. Japanese foreign policy-makers believe that "China's drive to build its military beyond the ordinary requirements of self-defence is evidence of a larger strategic design by Beijing to convert the South China Sea into the all China Sea".[42] Moreover, China has cultivated a persona of what some have referred to as "calculated irrationality" to deter other

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TABLE 1
China's International Use of Military Force since 1950

Date	Military Action
1950–53	Korean conflict
1954–58	Quemoy and Matzu bombardment
1960–61	Burma incursions vs. KMT rebels
1961	Laos military construction
1962	War with India (1 Month)
1965	Mobilization in support of Pakistan vs. India
1964–70	Mobilization in N. Vietnam, conflict with USA
1969	Conflict with USSR on border
1974	Seizure of Paracel Islands from Vietnam
1978	Deployment of armed fishing vessels to Japanese-held Senkaku Islands during treaty negotiations with Japan
1979	One-Month War with Vietnam
1962–88	Border skirmishes with India
1979–88	Border skirmishes with Vietnam
1988–92	Seizure of and dispute over islands in the Spratly Archipelago
1992–95	Fortification of Chinese-held Spratly Islands; Naval manoeuvres and brief clashes with Vietnam, Philippines and other navies

SOURCES: John Garver, *Foreign Relations of the People's Republic of China* (Englewood Cliffs, New Jersey: Prentice-Hall, 1994), p. 251; and *Far Eastern Economic Review*, 1 June 1995.

nations from threatening the PRC or to coerce agreement.[43] One could argue that China's foreign policy record in the last forty-five years (see Table 1) suggests that Chinese leaders not only regard military conflict and negotiation as complementary, but also consider military posturing and sometimes overt military intervention as a vital component of foreign policy.[44]

China, of course, sees itself as initiating activities that are motivated to assure regional peace and harmony; that is, their political and military activities are done in self-defence. Peaceful rhetoric can be quickly supplanted with military means and Hanoi must consider the reality of China's willingness to mobilize force against Vietnam; the preceding table demonstrates that several of China's military clashes have, in fact, involved Vietnam. China's close relations with Thailand and support for the Khmer Rouge in Cambodia can be seen as modern examples of China exerting influence and heavy-handed tactics, respectively, to affect outcomes most advantageous to its political, economic and broadly defined strategic interests. Trends and current indicators suggest that China may be inclined

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to offer some "carrot" incentives to Vietnam in the form of certain kinds of goods and basic technology. However, these incentives will also be accompanied by the "stick" as China will probably take a hard-line against Vietnam should Hanoi choose to impede China's political and economic ambitions by way of, for example, renewed hostilities with Cambodia, too-close relations with the United States, or aggressive territorial claims to the Spratlys.

Optimistic View of Sino–Vietnamese Relations

The costs of conflict and the benefits of peace continue to influence the tone of regional relationships, and Vietnam is still reeling from fifty years of almost uninterrupted war. Having experienced a relatively extended period of peace and the fruits of *doi moi*, the Vietnamese are keen to avoid military hostilities and to "catch up" with the rest of the world.[45] Even without any further military involvement, the most optimistic projections do not show Vietnam catching up with countries such as Singapore until the year 2025.[46] Similarly, the regional trend of prosperity, and competition currently limited to the economic sphere, also forces China, whose market renaissance is more established than Vietnam's, to consider the socio-economic costs of war while attempting to realize nationalistic goals.

Improved Relations from Military Strength

China has seen its prestige grow in the last decade by building its military capabilities, but also by *not* using military force against Vietnam. The co-operative winds currently blowing between Hanoi and Beijing are generally dictated by Beijing, and China has rewarded Vietnam for Hanoi's contributions to reducing military tensions. Japan and the ASEAN states have watched the Sino–Vietnamese *détente* carefully. Beijing depends on these wealthier states for necessary technology and investment, and a climate of peace enables a cost-effective military build-up, but not at the expense of economic growth. China retains the military option, namely, "acting unilaterally while proposing multilateral solutions...(but)...on balance, the chances of this more militant course are still less than even because of its negative impact on foreign economic relations".[47] Strength is important to China; peace through strength is beneficial to its relationship with Vietnam and its richer Southeast Asian neighbours.

Political Benefits of Improved Relations

China will continue its efforts to be a significant and influential political player in Southeast Asia, and both Vietnam and Cambodia are likely to

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be testing grounds for China as it flexes its political muscles. But spoiling the chances of a Cambodian settlement, or deliberately provoking major clashes with Vietnam over the Spratlys, will be costly for China's international prestige. China's posture towards Vietnam will most likely be both competitive and co-operative.

China's relations with the West are clearly vital for sustainable economic prosperity; poor Sino–Vietnamese relations create instability and uncertainty which, in turn, deter investment. China's foreign policy establishment currently maintains a position that suggests that Vietnam is neither a major threat nor a fundamental trading partner; bullying Vietnam excessively will have more costs than benefits for a Beijing leadership already in the spotlight for domestic human rights violations. Vietnam will also try to avoid confrontation if possible and, politically, relations have improved as co-operative public pledges continue to emerge from both Beijing and Hanoi. On balance, Vietnam has been more eager than China in improving relations; China has been more aggressive in defining its national and territorial interests, but Hanoi has avoided combative rhetoric and diplomatic confrontation.[48] Vietnam has also — gradually — involved itself in ASEAN as an observer and has shared common concerns over China's growing strength with other regional powers. It is important to note, however, that the Vietnamese tone is almost always non-confrontational, as evidenced by diplomatic comments in recent years. Indeed, Vietnamese leaders and emissaries choose their words and actions carefully when dealing with China. In such a mild rhetorical environment, mutually beneficial engagement is possible. Additionally, by acknowledging China's importance and avoiding confrontational rhetoric, Vietnam has been able to line up allies and to make peaceful progress and, to date, China sees virtually no benefits in military confrontation in spite of conflicting interests. Chinese nationalism is significant, but "China is faced with a policy dilemma; to the extent that it asserts sovereignty over the Spratlys, it will tend to isolate itself in Southeast Asia."[49]

Another important political dimension is the shared communist ideology of these Asian neighbours. This component is often misunderstood: it is important to remember that China and Vietnam are now the two largest communist countries, that Vietnam has tended to follow China's lead to establish market socialism, that both countries feel a tremendous sense of pride in their recent progress and lastly that both tend to eschew movements towards political pluralism.[50] Current leaders in both countries feel a need to maintain at least rudiments of the old communist system and fear the social instability that has accompanied transition models in many parts of Eastern and Central Europe. A total collapse of either regime would lead to uncertainties neither Beijing nor Hanoi would wish to address.

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The status quo, with China taking a non-interventionist lead, is an acceptable arrangement for the Vietnamese and a palatable arrangement for Beijing.

Economic Benefits of Improved Relations

Trade within Southeast Asia is growing rapidly and, despite border tensions, an increase in China–Vietnam trade is inevitable. Indeed, the two neighbours growing economically more than 10 per cent per year cannot avoid trade, especially since "northern Vietnam and southern China are very similar markets, and normalization has removed (many of) the barriers separating them".[51] A 1993 decision by China's State Council supported both Chinese and Hong Kong investment in Vietnam, and added Hainan island to its plans to increase cross-border trade. More recently, Hanoi hosted the Third Conference of Subregional Economic Activity, which China attended, to plan for adequate infrastructure and regulations to deal with increased trade.[52]

The trade relationship remains delicate, however, partly because China's less expensive products tend to flood Vietnamese markets and damage fledgling Vietnamese producers.[53] China is clearly ready to expand trade with Vietnam, and Vietnamese efforts to define private, cross-border trade as "smuggling" have been rather unsuccessful. In fact, unofficial trade flourishes: almost 20 per cent of Vietnam's consumer goods come across the Chinese border; trade has increased at the rate of more than 20 per cent annually, and trade exchange in 1994 topped US$500 million; to augment this activity, China, in 1994 alone, invested more than US$25 million in Vietnam.[54] On the other hand, Vietnam is trying to develop trade relations more cautiously. The Vietnamese send seafood, forest products, rice, manufactured goods and, unofficially, cars and prostitutes across the border to Yunnan, Guangxi and Guangdong. Unfortunately, failing to recognize the exponential growth of cross-border trade — and trying to force it exclusively through state companies — has left Vietnam unable to tax or monitor exports and imports. Consequently, and ironically, the official economy suffers and the state coffers receive fewer benefits. As implied earlier, China also tends to make better manufactured goods, whereas Vietnam's industry is less competitive; a Chinese-made suit of clothes typically costs US$15 in Hanoi, whereas a locally produced outfit might cost US$50.[55] In the words of one Vietnamese senior official, speaking of efforts to protect Vietnamese industry from Chinese imports, "China wants more trade. Vietnam wants careful trade".[56]

As both economies move from Marx to market, the benefits of trade

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will far outweigh the gains from conflict. The following policy changes could abet further development and better relations:

- Reopen the railway between Haiphong and Kunming, which will provide direct access to land-locked Yunnan Province to the outside world.
- Expand private-sector activity to include legitimate border trade.
- Increase the size and scale of border markets to reflect the natural growth of the regional economy and minimize hostilities frequently associated with political boundaries.
- Increase investment, especially in Vietnam.[57]
- Even without roads, rail links or official sanction, trade has grown and people on both sides of the border have prospered. Freer economies, greater commercial and cultural exchange with win-win outcomes among trade partners will enable citizens of both countries to interact in mutually beneficial ways.

Conclusion

For many policy analysts and Southeast Asian investors, the relationship between China and Vietnam is a touchstone for regional stability. Since this relationship has often been acrimonious and has affected the strategic involvement of many global powers — sometimes with horrific outcomes — good Sino–Vietnamese relations are critical to regional and global interests. As we move towards the next millennium, China is growing in power and prides itself on its rapid and impressive accomplishments over the last fifteen years. These accomplishments have revived nationalist feelings at many levels. Accompanying these feelings is a danger that China's quest for prestige, and its definition of national interests and sovereign territory, will bring it into conflict with Vietnam or perhaps other countries in the region.

Vietnam's actions to date have made China feel secure that Beijing is receiving proper respect. Whether the chill in U.S.–Chinese relations and the restoration of U.S. diplomatic relations with Hanoi will affect that security remains to be seen. The joint Soviet–Vietnamese military threat has obviously disappeared, and Vietnam has compromised on Cambodia and has moved carefully over the Spratlys issue. Many Chinese feel a historical "Middle Kingdom" right to involve China with its neighbours, such as Vietnam, and a modern right as China becomes a major economic power. Although the Vietnamese are equally proud of their hard-fought independence and *doi moi* achievements, Sino–Vietnamese *détente* tends to be determined by Beijing. Yet unilateral foreign policy actions from Beijing are more difficult to agree upon and to administer as educated, pragmatic technocrats supplant ideological revolutionaries.

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Sustaining positive relations, and thus taking the optimistic view, seems to require further nurturing of policies that facilitate win-win scenarios for both countries. Along with diplomatic and cultural exchanges and open communication, mutually beneficial economic co-operation and trade should be seen as the foundation for a sustainable relationship and for regional harmony. A technocratic foreign policy establishment will not feel confident rushing towards conflict without thorough analysis of many contingencies, and domestic factors such as concern for sustainable prosperity will likely serve to curtail foreign adventures despite a rise in nationalism. Furthermore, China prides itself on opposing hegemonism and still maintains as policy its Five Principles of Peaceful Coexistence. Thus, the primary problem China faces is economic backwardness; the same can be said for Vietnam. A successful Chinese foreign policy will result in continued trade with, and foreign investment from, ASEAN, and since Vietnam has been brought into ASEAN — more than 60 per cent of Vietnam's trade is conducted with the ASEAN states — bullying Vietnam will take China a step backwards.

The next logical step in Sino–Vietnamese relations is to progressively diminish the role of government in cross-border trade. Vietnamese industry is adapting to free markets, and will soon be able to deal with Chinese competition. Unofficial trade is growing so rapidly that Hanoi will be unable to control its expansion. Regulating trade to state companies alone will soon become an anachronism. When relations fail to improve through official channels, informal ties, joint business ventures and private sector economic co-operation will strengthen unofficial links and the economy of the region.

As we settle into an age of economic pragmatism, disagreements between Vietnam and China will be less important than growth and development. From a foreign policy standpoint, China has prospered because it "bought the whole Pacific Asian policy package [consequently] China is not going to risk its relations with its Southeast Asian neighbours over [the Spratlys] issue".[58] Much the same could be said for the leaders in Hanoi. The cost to economic development — and ultimately social welfare and stability — because of political discord and military involvement is too great. Around the world, prosperous nations mute international conflicts and improve the lives of their citizens through political stability, commercial activity and foreign trade; this lesson has not been lost on either China or Vietnam, and as mutually beneficial trade and commerce continues to flourish, the incentives for either nation to disrupt the peace diminish. Five years ago, PRC investment in Vietnam would have been unthinkable; now, PRC companies are establishing offices in Vietnam

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and official Chinese entrepreneurs continue to prosper in Vietnam.[59] Although the rhetoric between China and Vietnam occasionally may become heated and may even escalate to intimidation tactics by patrol boats and border guards, economic pragmatism suggests that market forces, trade and commerce, coupled with mutual interests for growth, stability and social harmony will abet sustainable peace, despite historical and contemporary animosities.

NOTES

* The authors thank the support of the ASU FGIA and CRCA programmes and John Bresnan for comments on earlier drafts of this article.

1. Brantley Womack, "The Role of China in American-Vietnamese Relations", in *The Vietnamese American Dialogue*, edited by Dick Clark (Queenstown, MD: Aspen Institute, 1993), p. 9.
2. Ibid., p. 14.
3. Thomas Friedman, "Good Morning Vietnam", *New York Times*, 18 January 1995, Section A, p. 21.
4. Robert Ross, "China and Post-Cambodia Southeast Asia: Coping with Success", *Annals of the American Academy AAPS*, no. 519 (January 1992), p. 66.
5. See Allen Whiting, "The Future of Chinese Foreign Policy", in *China and the World: Chinese Foreign Relations in the Post-Cold War Era*, edited by Samuel S. Kim (Boulder, Col.: Westview Press, 1994), p. 257.
6. June Dreyer, *China's Political System: Modernization and Tradition* (New York: Paragon House, 1993).
7. The establishment of full diplomatic relations between the United States and Vietnam on 11 July 1995, together with deteriorating Sino-American relations has inspired political comment that essentially argues that a primary U.S. objective is in fact to establish a strategic presence in Vietnam to influence Chinese policy.
8. "Looking to the Future in Cambodia and Vietnam", Pacific Basin Studies Program Report, no. 5 (New York: Columbia University East Asian Institute, 1994), p. 10.
9. Ross, op. cit., p. 58.
10. Michael Antolik, "The ASEAN Regional Forum: The Spirit of Constructive Engagement", *Contemporary Southeast Asia* 16, no. 2 (September 1994): 118.
11. Zhao Quansheng, "Domestic Factors of Chinese Foreign Policy: From Vertical to Horizontal Authoritarianism", *Annals of the American Academy AAPS*, no. 519 (January 1992), pp. 160–62.
12. Harry Harding, *China's Second Revolution: Reform after Mao* (Washington, DC: Brookings Institution, 1987), p. 200.
13. See Robert A. Scalapino, "China's Multiple Identities in East Asia: China as a Regional Force", in *China's Quest for National Identity*, edited by Lowell Dittmer and Samuel Kim (Ithaca, NY: Cornell University Press, 1993). pp. 215–27.
14. See John Garver, *Foreign Relations of the People's Republic of China* (Englewood Cliffs, NJ: Prentice Hall, 1993), p. 329.
15. Dreyer, op. cit., p. 352.
16. Antolik, op. cit., p. 122.

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17. It can be debated how seriously China seeks "superpower" status or a return to the traditional "Middle Kingdom" system, but there are unquestionably some domestic influences on foreign policy, including elements of grievance-laden nationalism that blames the colonial experience for China's weakness; élite hopes to regain China's important position; and rising élite and mass expectations of China's restored role in the world, which colour Beijing's view of national goals to be achieved through foreign policy.
18. Garver, op. cit., pp. 326–27.
19. Ibid., p. 326.
20. Alexander Woodside, *Vietnam and the Chinese Model* (Cambridge: Harvard University Press, 1988), p. 9; and John A. Fairbank, *East Asia: Traditions and Transformation* (Boston: Houghton Mifflin Company, 1989), p. 260.
21. See Donald Zagoria, "The Soviet Vietnamese Alliance and Its Strategic Implications", in *Chinese Defense and Foreign Policy*, edited by June Dreyer and Samuel Kim (New York: Professor's World Peace Academy, 1988), p. 257.
22. Whiting, op. cit., p. 263.
23. Ibid., p. 263.
24. For its part, Vietnam continues to maintain its policy of "getting along well with everyone". This policy was shared with the first author during an interview with then Director of Americas, Le Van Bang, on 5 May 1992, and with the second author during an interview with Deputy Foreign Minister, Le Mai, on 8 January 1994. The policy was recently reiterated by Ambassador Le Van Bang during an April 1995 presentation at the Columbia University School of International Affairs, New York.
25. Garver, op. cit., p. 328.
26. Friedman, op. cit., p. 21.
27. *Beijing Review*, 22 November 1990, p. 7.
28. Samuel Kim, "International Organizations and Chinese Foreign Policy", *Annals of the American Academy AAPS*, no. 519 (January 1992), p. 140.
29. *Far Eastern Economic Review (FEER)*, 1 December 1995, p. 62.
30. "Subregional Economic Development", *Standard and Chartered Indochina Monitor*, August 1994, p. 3.
31. Ibid.
32. Marc Lavine, "Vietnam Fears Short Term Effects of US-China Trade War" (Wire report from Agence France Presse, 7 February 1995).
33. Clifford J. Shultz, II, Anthony Pecotich and Khai Le, "Changes in Marketing Activity and Consumption in the Socialist Republic of Vietnam", in *Consumption in Marketizing Economies*, edited by Clifford J. Shultz, II, Russell W. Belk and Güliz Ger (Greenwich, CT: JAI Press, 1994).
34. *Beijing Review*, 22 November 1993, p. 6.
35. This assessment is based on recent observations and interviews with business persons and policy-makers in Hanoi and Ho Chi Minh City (January, May 1995) and Beijing (June 1995).
36. Orchestrating this consensus is another matter as Japan, ASEAN, the United States and Russia all have national objectives in the region, and as noted earlier, U.S. policy in the region tends to vacillate. Therefore, American influence may or may not become a more significant factor in Asia, perhaps leaving no major power to balance China.
37. See Robert Scalapino, "China's Multiple Identities in East Asia: China as a Regional Force", in *China's Quest for National Identity*, edited by Lowell Dittmer and Samuel Kim (Ithaca, NY: Cornell University Press, 1993), pp. 215–20.

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38. Ross, op. cit., p. 66; and various recent issues of the *FEER* and *The Economist.*
39. Muthiah Alagappa, "Re-examining Security in Asia and the Pacific", *Asia Pacific Examiner* 2 (Honolulu, 41: East-West Center, 1995): 15.
40. Eugene Brown, "Japanese Security Policy in the Post Cold War Era", *Asian Survey* 34, no. 5 (May 1994): 435.
41. Lee Kuan Yew in Singapore's *Business Times*, 22 November 1993 (as read from NEXIS wire service). Compare similar thoughts from Brian Caplen, "Asia's New Agenda: The Challenge of Change", *Asian Business*, January 1995, p. 22.
42. Brown, op. cit., p. 435.
43. Harvey Nelsen, "Continuity and Change in Chinese Strategic Deterrence", in *Chinese Defense and Foreign Policy*, edited by June Dreyer and Samuel Kim (New York: Professor's World Peace Academy, 1988), p. 241.
44. Ibid.
45. A detailed discussion of the complex interaction of policy and the emergence of a market economy can be found in Clifford J. Shultz, II, "Balancing Policy, Consumer Desire and Corporate Interests: Considerations for Market Entry in Vietnam", *Columbia Journal of World Business* 29 (Winter 1994): 42–52.
46. This is the date most frequently mentioned in conversations with Vietnamese policy-makers during January and May 1995 in Hanoi and Ho Chi Minh City.
47. Whiting, op. cit., p. 263.
48. An interesting indicator of Vietnam's keen desire to maintain good relations is evidenced by the disproportionately large number of delegations sent to Beijing — at a rate of six Vietnamese delegations to one Chinese visit to Hanoi. See Ross, op. cit..
49. Womack, op. cit., p. 14.
50. Compare, for example, Womack, op. cit., p. 13. On the last score — the move towards political pluralism — it has been argued elsewhere that while Western connotations of freedom or pluralism are not imminent, the social and political pendulum will inevitably swing towards more openness and tolerance as these countries move towards high technology, communication-based economies oriented towards global commercial involvement. See Clifford J. Shultz, II and Khai Le, "Vietnam's Inconsistencies Between Political Structure and Socio-economic Practice: Implications for the Future", *Contemporary Southeast Asia* 15, no. 2 (September 1993): 179–94; Clifford J. Shultz, II, William J. Ardrey, IV and Anthony Pecotich, "American Involvement in Vietnam, Part II: US Business Opportunities in a New Era", *Business Horizons* 38 (March–April): 21–27.
51. Womack, op. cit., p. 13.
52. "Subregional Economic Development", *Standard and Chartered Indochina Monitor*, August 1994, p.3.
53. This comment is based on recent observations and interviews by the authors in urban Vietnamese markets.
54. Data provided during interview with Nguyen Van Trien, Institute of World Economy, Hanoi, 5 January 1995.
55. These figures are based on the authors' discussions with Vietnamese merchants and policy analysts during a January 1995 visit to Hanoi.
56. Interview with Nguyen Van Trien, 5 January 1995.
57. More than fifteen Chinese companies have set up offices in Vietnam, and twenty-two investment projects are up and running. Many officials feel that Beijing supports increased Hong Kong and Taiwan investment in Vietnam. PRC President Jiang Zemin recently offered a US$100 million loan to the Vietnamese. Interview with Nguyen Van Trien, 5 January 1995.

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58. The "policy package" is generally regarded as managing external relations based on a framework that includes a reduced military budget, subordination of politics to economic growth and market principles, acceptance of foreign trade (including capital and technology infusion), and outward orientation. Cf. William Overholt, *The Rise of China* (New York: Norton, 1993), pp. 321–30.
59. Ruth McVey, "The Materialization of the Southeast Asian Entrepreneur", in *Southeast Asian Capitalists*, edited by Ruth McVey (Ithaca, NY: SEAP, 1992), pp. 7–10.

CLIFFORD J. SHULTZ, II, is a faculty member of the School of Management, Arizona State University and a Research Analyst at the Center for International Business Cycle Research, Columbia University.
WILLIAM J. ARDREY, IV, is Senior Vice-President and International Policy Analyst at the New York-based Fiduciary Communications Corporation, and an occasional lecturer at the Ho Chi Minh City University and the Ho Chi Minh City College of Marketing.

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Managing Dependency in a Reforming Economy: The Lao PDR*

JONATHAN RIGG

The Lao People's Democratic Republic is one of Asia's poorest, smallest and least studied countries. In 1986, the Lao Government introduced a policy of economic reform — chin thanakaan mai or "new thinking" — and since that date the economy has been undergoing a fundamental and continuing shift towards the market. This article examines the developmental context of economic reform in the country, outlining the constraints and opportunities that present themselves. The challenge of "managing" land-lockedness in a dependent and vulnerable country is discussed as a key theme in Laos' development.

Introduction

Laos is the only land-locked country in Southeast Asia (see Map 1). In a region which is so often characterized as dynamic and vital — a part of the magical Pacific Rim — Laos is, statistically at least, impoverished and backward, and its people deficient in terms of most measures of economic and human development (Table 1). To put the economy and country into perspective: total exports amount to just US$108 million (1993); per capita income in 1991 was US$220 (making Laos one of the ten poorest countries in the world); and there are estimated to be just 2,000 kilometres of sealed roads in a country the size of New Zealand.[1]

Not only is Laos a poor country in a part of the world so often perceived as dynamic, but it is also undergoing a difficult transition from a centrally-controlled command economy, to a market-based system. Most attention concerning this leap of faith and planning has, in Southeast Asian terms, been focused on Vietnam and, in global terms, on the

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MAP 1

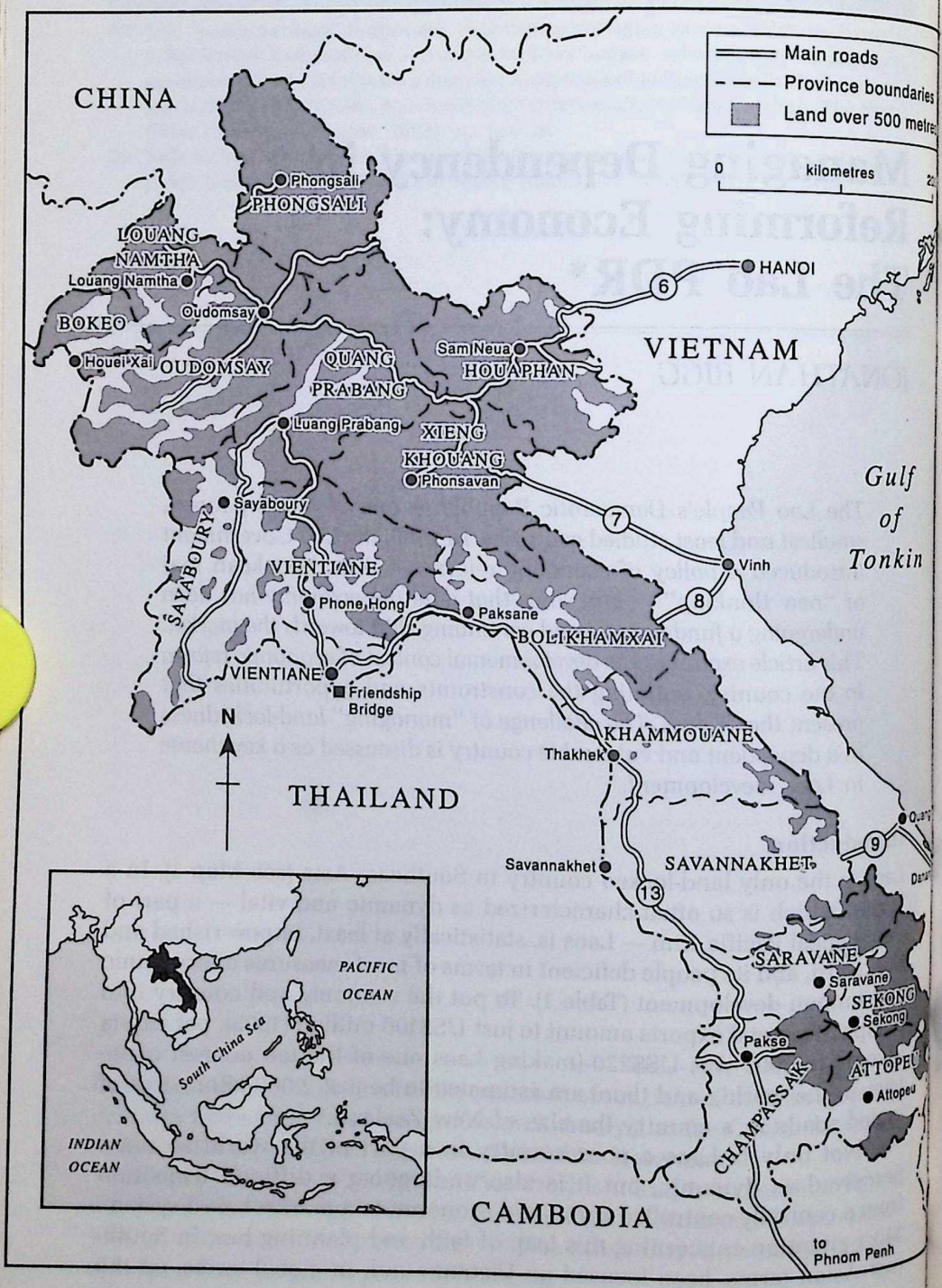

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TABLE 1
Laos: Economic and Social Indicators

Economic indicators	
Economic growth 1984–1987	3.2%/year
1987–1990	6.5%/year
Labour force in agriculture	76%
GDP	US$1bn (1991)
GNP/capita	US$220 (1991)
GDP/capita (PPP$)	$1,760 (1991)
Exports 1992	US$92 million
Exports 1993	US$108 million
Imports 1993	US$250 million
Social indicators	
Population	4.5 million (1992)
Population in absolute poverty	67%
Life expectancy	50.3 years
Children < five underweight	34%
% Population with safe water	37%
Telephones per 100 population	0.2

SOURCES: Various sources.

countries of eastern Europe and the former Soviet Union, and China. Yet, the experience of Laos is interesting in revealing the difficulties and opportunities that such a reform process raises in a small, poor and dependent country. This article will aim to do two main things: first, to examine the economic reform process in Laos; and second, to place that experience in the context of the wider constraints to the country's development.

The Context of Reform

The Lao People's Democratic Republic is, to coin a phrase, a country to be trifled with. In recent years, it has received little attention, whether from the world's press, its politicians, the business community, or from academics. In the case of the former three groups, this stems from a combination of the country's economic marginality and its political peripherality. Laos, in short, has not been perceived as important either as a market or production base for foreign companies, or as a nation deserving much more than cursory political attention. The absence of academic interest is also partly linked to these two issues, compounded by the longstanding difficulties of conducting field research in the country.

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But this is not to say that Laos has always been ignored. During the war in Indochina, Laos found itself drawn inexorably into the war in Vietnam and, by extension, the superpower conflict. The extension of the Ho Chi Minh Trail through the Lao "panhandle" led to massive — although clandestine — bombing of Laos by U.S. war-planes (Map 1), while the war between the communist Pathet Lao and the Rightist government in Vientiane ensured that Washington would become directly involved in shoring-up yet another government threatened by the spectre of communism. As a result, when attention has been directed at Laos, it has invariably been viewed through the lens of the war in Indochina. As journalist John Pilger has remarked, with respect to Vietnam, but also equally applying to Laos, it is sometimes difficult to view Laos as a country and not just as a war.

Before embarking on a discussion of Laos' prospects for development, most official reports offer a disclaimer regarding the general dearth of information on the country. This account is no different, for although the difficulties of working with insufficient data and inaccurate statistics face many less developed countries, the problem in Laos — at least until very recently — is especially acute. An unpublished World Bank assessment of the country, for example, opens with the admission that the figures on which the report is based "... constitute educated guesses rather than confirmed facts", while the United Nations Development Programme (UNDP), which is instrumental in co-ordinating aid to the country, highlights as one of the country's principal development constraints "insufficient information on the country's key physical, social, economic and climatic variables...".[2] The lack of accurate information has two roots. First, it is due to a very real absence of data in a country which is extremely poor and where a long period of conflict has caused massive dislocations. Second, this is compounded by the inaccuracy of some of the data that do exist, a fact which reflects the political imperative among government departments and individual bureaucrats to demonstrate progress in achieving targets, rather than any attempt to show reality.[3] Although the shortage of data remains a difficulty, there is some recent evidence that economic and social statistics are becoming both more available and more accurate.[4]

The New Economic Mechanism (NEM)

The most important economic development since Laos embraced the socialist road to development in 1975 was the introduction of the New Economic Mechanism (NEM) in the late 1980s. The Lao terms *chin thanakaan mai*, or "new thinking", and *kanpatihup setthakit*, or the "reform economy", are more popularly used and more descriptive of the changes encapsulated

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in the policy. In essence, the introduction of the NEM has involved a dramatic, and continuing, shift from a centrally-controlled command economy to a market-oriented system. The NEM was first touted in 1982, and pilot-tested in 1985. The programme was finally adopted by the Party Congress of 1986, and has now been extended throughout the economy (see Table 2). As former General Secretary Kaysone Phomvihane, who died in 1992 and had dominated the national political landscape from 1975, stated at the critical Fourth Party Congress in 1986:

> In all economic activities, we must know how to apply objective laws and take into account socio-economic efficiency. At the present time, our country is still at the first stage of the transition period. Hence, the system of economic laws now being applied to our country is very complicated. It includes not only the specific laws of socialism but also the laws of commodity production. Reality indicates that if we only apply the specific economic laws of socialism alone and defy the general laws pertaining to commodity production, or vice versa, we will make serious mistakes in our economic undertaking during this transition period".[5]

The NEM encompasses a raft of policies which mirror those in other reforming economies (see Table 2). In essence, they include:

- a move to a market determination of prices and resource allocation.
- a shift away from central planning to "guidance" planning.
- a decentralization of control over industries and lower levels of government, and the encouragement of the private sector. Private companies, for example, are now permitted to set wages and fix the prices of their products.[6]
- the encouragement of foreign investment (the new investment law allows 100 per cent foreign ownership). In the first nine months of 1994, total investment approved amounted to US$443 million. The total between 1988 and the end of 1993 was US$1 billion.[7]

However, a distinctive feature of the Lao reform programme has been the speed and intensity with which the NEM was introduced after 1986. Rather than the piecemeal approach adopted by many other reform-minded command economies at the time, the government of Laos opted for a bold and rapid (a matter of months) restructuring of the economy. The ability of the government to countenance such a radical reorientation of its economy was in no small way due to the underdeveloped nature of that economy. Laos remains an essentially agrarian society, based largely on a subsistence economy. Agriculture accounted for 57 per cent of gross domestic product (GDP) in 1989, and more than three-quarters of the population work in the agricultural sector (1992). In addition, the revolutionary Pathet Lao's

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TABLE 2
The NEM: Landmarks, 1982–94

1982

Reforms first touted.

1985

Pilot studies of financial autonomy in the selection of state-run industries.

1986

Decentralization of decision-making to the provinces.
Freeing-up the market in rice and other staples.
November: NEM endorsed by the Party Congress.

1987

Restrictions on the cross-provincial movement of agricultural produce abolished; barriers to external trade reduced; provincial authorites charged with the responsibility of providing health and education services.
June: prices of most essentials market-determined.

1988

Forced procurement of strategic goods at below market price abolished; reduction in public sector employment; tax reforms introduced; private sector involvement in sectors previously reserved as state monopolies; introduction of new investment law.
March: prices of fuel, cement, machinery and vehicles freed; tax reforms enacted; state and commercial banking sectors separated; state enterprises made self-reliant and autonomous; explicit recognition of the rights of households and the private sector to use land and private property.
*June:*nation-wide elections held for 2,410 positions at the district level.
July: multiple exchange rates abolished; liberal foreign investment code introduced; payment of wages in kind abolished.

1989

June: second tax reform enacted.
October: first joint-venture bank with a foreign bank begins operation, the Joint Development Bank.

1990

March: privatization ("disengagement") law introduced.
June: key economic laws covering contracts, property, banking and inheritance discussed by National Assembly.
July: State Bank (Central Bank) of the Lao PDR established, and fiscal management of the economy formally handed over to the new bank.

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TABLE 2 (*Continued*)

1992
Thai Military Bank begins operating a full branch in Vientiane.
January: Commercial Bank and Financial Institutions Act introduced.
1993
Accelerated privatization programme announced.
December: removal of last quantitative restrictions and licensing requirements for imports.
1994
March: new investment and labour laws passed in March by the National Assembly, to be enforced within 60 days. As an incentive to foreign investors, the investment law lowers some import taxes and the tax on net profit, streamlines the approval process, and ends the foreign investment period limit of 15 years.

SOURCES: Various sources.

attempts to introduce a collective system of agricultural production after 1975 were abandoned as a result of severe resistance from the peasantry. Consequently, the NEM has not involved the dismantling of an existing socialist system, but rather the reorientation of a largely subsistence system to market demands. This, in a sense, has made the task of reform considerably easier. There has not, for example, been the need to confront an entrenched phalanx of foot-dragging communist cadres trying to maintain their power and privileges and thus undermining the reform programme — as has been reported in some areas of Vietnam.[8] Since the initial adoption of the NEM in 1986, economic policy has continued to be reformist in tone. This is reflected in the current Third Five-Year Plan (1991–95) which emphasizes indicative planning and stresses the role of the market and the private sector in achieving development targets, leaving the state to concentrate its limited resources on upgrading and expanding the country's physical and social infrastructure.

Constraints to the Successful Implementation of the NEM

The NEM is an ongoing programme of economic reform, and the discussion below highlights the difficulties of implementation during the eight-year period between 1986 and 1994. The emphasis here is not on specific problems with particular aspects of the NEM (for example, the drafting and

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supervision of contracts for the privatization of state enterprises), but with broader issues.

The first general point is that although the bold restructuring that the government embarked upon has avoided some problems (for example, in the sequencing of reforms), it has meant that much of the financial and administrative infrastructure has been ill-prepared for the changes. As an unpublished UNDP document notes, although the reforms have the ultimate intention of reducing the role of the government in the economy, "the burden on the government administration actually increases during the transition, as the implementation of sweeping structural changes adds on an additional administrative burden".[9] Strains and tensions have correspondingly developed, as reflected in 1989 in an inflation rate of 68 per cent and in a trade deficit which is extremely large for such a small economy.[10] In 1993, the deficit stood at US$142 million — when exports amounted to just US$108 million and imports to US$250.[11] This deficit has been financed by a substantial flow of aid and assistance from donor countries — US$173 million in 1992, some US$39 per head, or 17.6 per cent of GDP. In comparison, Vietnam received just over three times as much aid to assist a population fifteen times larger.

Secondly, and perhaps unsurprisingly (although comparisons with the success of the agricultural reforms in China after 1978 might be apposite), the reforms have yet to have much of an effect on production and productivity in the country's key sector, agriculture. Agriculture still employs over three-quarters of the population and generates 60 per cent of value-added.[13] The failure of the reforms to invigorate agriculture appears to be primarily linked to the lack of efficient marketing and supply infrastructures. The latter means that farmers have been unable to procure adequate supplies of crucial inputs (new seeds, fertilizers, fuel) while the former has meant that even when they have been successful in this regard, and have recorded increases in yield and production, they have been unable to secure attractive prices for their surplus or to get the surplus to market. Figures to support this view are scarce, but because of lack of inputs, poor maintenance and inadequate incentives, it has been estimated that of 30,000 hectares of irrigable land, only one-third is actually irrigated.[14] In Ing-Britt Trankell's study of villages in Bolikhamxai province to the east of Vientiane, it is noted that even when roads are built or improved it does not mean that agricultural technology necessarily follows. She refers to an official district report that notes local dissatisfaction with the degree of change that a new access road has brought: ". . . all that provincial officials could offer", she writes, "was advice on tax-collecting", adding that "when this appears to be the extent of the 'benefits' of the new road, many people felt that they might as well move away".[15]

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Allied to these problems has been an inadequate level of maintenance of irrigation facilities, roads and other parts of the rural infrastructure. It should be added that discussions with agricultural workers (both Lao and foreign) and with aid agencies in the Vientiane area in 1991 revealed a considerable degree of disagreement regarding the principal constraints facing farmers in their efforts to increase output. This seems to have been linked to a dearth of local-level studies. Much of the work undertaken has been macro-economic in approach, and this has tended to emphasize the broader structural impediments to reform, disguising important local-level constraints. Thus, and unlike the Chinese reforms of 1978 and after, although the NEM may have put in place the incentives to increase output and produce a surplus, the necessary supply, production and marketing infrastructures were not in place to enable farmers to respond to that incentive. In China, infrastructural improvements under Mao allowed a "free" boost to production as farmers, driven by the incentives enshrined in the household responsibility system, began to use that infrastructure to its full potential for the first time.

The problems facing farmers and the agricultural sector highlight one of the central problems likely to face a country reforming its economy with the rapidity of Laos. For liberalizing trade, freeing exchange rates, and reforming tax systems can be enacted almost overnight; while improving support systems for agriculture and upgrading physical infrastructure are long-term development objectives. Therefore, although wholesale and rapid reform might overcome some of the problems of sequencing, the differential nature of what has to be reformed is likely to create difficulties of a similar nature linked to the varying lead times involved. With respect to farmers in Laos, although those living in the most developed areas, such as around the capital Vientiane, may be in a position to increase production and productivity, those in more remote places (which means most of the country) are unlikely to be in a position to respond to the incentives offered by the economic reforms. Thus, the reforms are creating, in the short to medium term, both temporal and spatial inequalities.

Dilemmas of Development in Land-locked Laos

To appreciate the difficulties that the Lao Government faces in implementing the NEM, it is necessary to look beyond the policy itself to the general context of development in the country. In *The East Asian Miracle*, the World Bank attempts to identify those characteristics that have underlain "successful" development in the eight so-called high performing Asian economies or HPAEs (namely, Japan, the Republic of Korea, Taiwan, Hong Kong, Singapore, Malaysia, Indonesia and Thailand).[16] Although the report

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has been heavily criticized since it was published at the end of 1993, it is interesting to see the extent to which Laos does not even begin to fulfil the "essence" of a miracle: it is grossly lacking in human and physical capital, has limited financial resources, a traditional agricultural sector, high incidence of poverty, limited exports, is not far down the road of demographic transition, and has a high debt ratio.[17] Thus, although the country may be an object lesson in economic reform, in IMF/IBRD (International Monetary Fund/International Bank for Reconstruction and Development) terms, this policy reorientation is occurring in a country deficient in almost all measures of development.[18]

Transport and Communications

A 1989 UNDP report on Laos identifies six "development constraints"; three of these concern the interrelated issues of land-lockedness and an insufficient and poorly maintained physical infrastructure. The three are: "economic and social fragmentation since many parts of the country are physically isolated . . .", "insufficient physical infrastructure", and "high transportation costs, particularly for exports, because of the country's land-locked position".[19]

The Lao Government considers the upgrading of transport and communications to be possibly its most urgent task. During the years 1986–90, government expenditure on transport averaged 40 per cent of total expenditure, and up to 20 per cent of total investment has been allocated to road construction and improvement alone.[20] Furthermore, over 30 per cent of all aid from donors in the convertible currency area was allocated to the transport sector.[21] Even so, the stock of roads is extremely limited and most are in chronically poor condition: of 10,000 kilometres of roads, it is thought that only about 20 per cent are sealed and almost all are in a poor state of repair.[22] The northern provinces are virtually cut off during the wet season, and even Route 13, the national artery which runs southwards from the capital, Vientiane, to the Cambodian border — and which has been targeted for special attention by the government and international aid agencies — is only partly surfaced. This was dramatically underscored in 1987/88 when the rice harvest in the north failed, and rice surpluses from the south had to be transported through Thailand because of the poor state of this north-south highway.[23] The problem facing the government as it attempts to upgrade the country's road network has three facets:

1. Eighty per cent of the country is classified as mountainous, presenting a considerable engineering challenge. This, allied with a monsoon climate where torrential storms are common, means that roads are

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difficult and expensive to build and need to be constantly monitored and repaired.

2. Laos' population density, at 17 people per square kilometre, is one of the lowest in Asia. As a government report prepared for a meeting on least developed countries (LDCs) in Geneva in 1989 stated, "the cost per capita of providing the necessary infrastructure [in Laos] is in many cases prohibitive".[24] The 1993–94 budget provided for total state investment of just 122 billion kip, or US$168 million. Of this, 57.6 billion kip, or a mere US$79 million, is allocated to "communications, transportation, postal services and construction".[25]
3. The third facet of the infrastructural challenge facing the country concerns the damage sustained during the Vietnam War. It has been estimated that the Americans flew 580,000 bombing sorties over Laos in the clandestine attempt to stifle the flow of arms along the Ho Chi Minh Trail from North Vietnam, into the former South Vietnam (Map 1). Laos has the dubious honour of being, in per capita terms, the most heavily bombed country on earth — 2 tonnes of ordnance per capita at a total cost of US$10 billion.[26] This damage is still being repaired, and continues to hamper attempts to upgrade the country's physical infrastructure. In 1993, wartime era bombs — mostly disturbed by farmers in their efforts to clear and prepare land for agriculture — killed 100 people in Xieng Khouang province alone.[27] Not only does this increase the dependent population and represent a drain on household and national budgets, but it also inhibits new land development. However, inventive and adaptive as ever, villagers have found productive use for this legacy of the war — as war scrap for sale, water troughs, house pillars and storage bins.

Laos' infrastructural deficiencies are related not only to road transportation. There are also serious shortages of hospitals, schools, water facilities, power supplies, and telecommunications links. For example, in 1988, the capital Vientiane had a telephone capacity of 4,000 lines; Savannakhet and Luang Prabang had a mere 222 each.[28] Until 1990, when a new satellite ground station was opened, international links were limited to just three lines: a satellite link with Moscow, a high frequency link with Hong Kong, and a microwave radio link with Bangkok.

The Politics and Economics of Land-lockedness

Laos' severe internal transport difficulties have been reinforced and accentuated by its land-locked condition. When inter-state relations are relatively harmonious, land-lockedness may not be a severe impediment to trade and contact with the outside world. But when a land-locked country finds

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itself in conflict with a stronger and more powerful neighbour, then this position can dramatically change. Such has been the case of Laos. During the period between 1975 and (roughly) 1989, Laos and its neighbour to the west, Thailand, were at ideological loggerheads. The Cold War threatened to spill over into a major regional confrontation as Southeast Asia became divided into two competing blocs, the communist countries of Indochina, and the market economies of the Association of Southeast Asian Nations.[29] In a sense, then, Laos found itself caught in the maelstrom of the superpower conflict.

The most logical conduit to the coast is through Thailand. Despite improvements to the roads running eastwards over the Annamite chain of mountains to Vietnam (Map 1), Laos' geographical position means that transport through Thailand would, all things being equal, remain considerably cheaper and faster.[30] Following independence in 1954 until 1975, relations between Thailand and Laos were cordial and, with improvements of roads and railways through the northeastern region of Thailand — for trade purposes — Laos became increasingly dependent on routes through Thailand. In 1975, when the communist Pathet Lao were finally victorious, more than 80 per cent of official trade passed through Thailand. As Peter Hardstone observed in 1978, Thailand at that time "held the key to the effective operation of the Lao import/export economy".[31] Not surprisingly, therefore, during the period of confrontation in Southeast Asia (1975–89), Thailand consistently used the border as a political tool and as an economic weapon (Table 3). This took five forms: outright border closure, limiting the number of border posts, restricting trade in "strategic goods", subjecting goods for sale in Thailand to stiff tariffs, and imposing various non-tariff barriers (NTBs). Lee Yong Leng, in a 1980 paper, stated that Laos "is a good example of a land-locked state at an ideological boundary suffering from the enmity of its neighbour".[32]

The actions of successive Thai governments to restrict the flow of trade, whether partially or totally, were of concern to Lao government officials. Their principal response was to try and reduce Laos's dependence on Thailand by improving transport links with Vietnam — specifically, by re-activating the French-built roads running eastwards to the Vietnamese coast (see Map 1). These efforts did have results: whereas before 1975, 80 per cent of Laos' official trade (excluding hydropower exports) passed through or into Thailand, this quickly fell to 20 per cent following the victory of the Pathet Lao in 1975. But despite this success in re-orienting trade, it should be emphasized that this does not negate the fact that Thailand remains Laos' logical conduit to the sea. As political conditions have changed so the "natural" pattern is being reasserted. The ban on the trade in "strategic" goods was lifted in November 1989.[33] The transport

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TABLE 3
Thailand–Laos Trade Restrictions, 1975–94

1975 (–1989)	Ban or restriction on the export of "strategic" goods
1976–1977	Border closed
1979	Improved relations under Thai Prime Minister General Kriangsak
June–August 1980	Border closed
August 1980–January 1981	Two border posts opened
January–February 1981	Border closed
1987–1988	Border war
1989	Ban on the export of strategic goods lifted
1990	First bridge across the lower reaches of the Mekong agreed
November 1991	Foundation stone laid for Friendship Bridge
April 1994	Friendship Bridge officially opened

monopoly has also been abolished. To mark this new environment of goodwill, the Thai Crown Princess Mahachakri Sirindhorn visited Laos for eight days in March 1990, the first such visit since 1975. The visit of the Princess led to the re-activation of a plan to build a bridge across the Mekong River linking the Thai town of Tha Deua (near Nong Khai) with Vientiane (Map 1). The 1.2 kilometre-long bridge, costing US$30 million, was completed and officially opened in April 1994. The Mittaphaap or "Friendship" Bridge is the first bridge spanning the lower reaches of the Mekong, and is the most tangible evidence of the *rapprochement* between Thailand and Laos. This had been further emphasized in February 1992 when a Treaty of Friendship and Co-operation was signed in Bangkok. In July of the same year in Manila, Laos' Foreign Minister Phoun Sipraseuth signed ASEAN's Treaty of Amity and Co-operation, paving the way for the country's membership of ASEAN.[34]

The implication of these global and regional political realignments is that they have rapidly shifted Laos' trading and transport focus back towards Thailand. Reflecting this process of *rapprochement*, Thailand once again accounts for more than half of the country's trade, and almost half of foreign investment.[35] But, although the Mekong may once again be a "frontier of true peace and friendship", as a Lao delegation to Bangkok put it in 1979, the developments have raised fears of dependence and vulnerability on its much larger and more powerful neighbour, Thailand.[36] The open hostility which has characterized much of the past twenty years of relations between Laos and Thailand is not lost on a leadership whose

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political senses, at least among the more elderly, were honed during the Cold War.

Managing Dependency

Dependency on Thailand

To understand Laos' fears of Thailand it is necessary to place recent events in historical context. Before the French, through their superior military power, tore Laos from the grasp of Bangkok, the country had been viewed as likely to come under Thai suzerainty. This had even been explicitly recognized in a Franco-Siamese treaty of 1886.[37] By the late eighteenth century, Siam had come to view itself as the leader of the T'ai world, encompassing both Siam and Laos, and Laos was effectively a colony of Siam. When King Chao Anou of Vientiane had the audacity to invade the northeastern region of Siam in 1827, King Rama III responded by defeating Anou and utterly devastating the capital Vientiane, destroying almost all the city's buildings — a fact which explains why today this ancient city is so devoid of architecture predating the French period. Although some of the city's monasteries survived, the Siamese forces did destroy the two most sacred structures, That Luang and Haw (or Wat) Phra Kaeo. The latter housed perhaps the most venerated Buddha image in Southeast Asia, the Phra Kaeo, which was carted off to Bangkok and housed in the monastery of the Grand Palace, now also known as Wat Phra Kaeo. The population of Vientiane was resettled on Siamese soil and the country subjugated and made a vassal state of Siam. King Anou himself was captured and paraded through Bangkok in an iron cage, to the jibes and taunts of the population. He died just a few months later in early 1829.[38] Martin Stuart-Fox offers the thought that the "very cultural similarity between Thai and Lao has constituted a threat of national extinction for the Lao, for if 80 per cent of all ethnic Lao can be absorbed with the Thai state [in the north-eastern region of Thailand], why not the remainder?".[39] It is Vientiane's historically subordinate position to Bangkok which provides an important background "text" to current economic and political developments.

In 1988, former Thai Prime Minister Chatichai Choonhaven expressed a desire to turn Indochina "from a battlefield into a market place". This has been followed by a surge of interest from Thai businessmen in opportunities in Laos, which was given impetus by the promulgation of a new Foreign Investment Law in July 1988. Laos, like Vietnam and Cambodia, is perceived by policy-makers and some economists in Thailand as forming part of a sub-regional economic zone centred on Bangkok: natural resource-rich Laos is thought to have an economy which is complementary to Thailand's, and which can fuel the latter's development. Significantly,

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most of the projects approved to date have been in the natural resource sector — timber and agricultural products, gems and minerals. In this sense, the links between Laos and Thailand are aping those set out by the French in the early decades of this century when they saw Laos as the resource-rich annex for Vietnam.[40] Some Thai politicians, more contemplative, have murmured terms such as neo-imperialism, and the Lao too have expressed disquiet at the possibility of uncontrolled integration into the Thai economic sphere. In 1995, senior Thai diplomat Suvidhya Simaskul was quoted in the *Far Eastern Economic Review* as saying that Thailand had "passed the stage of turning battlefields into markets; now the market itself has become the battlefield".[41]

There have already been signs of a reaction against Laos becoming part — if only in economic terms — of Greater Thailand. In July 1989, state-run Radio Vientiane broadcast a commentary, presumably officially sanctioned, stating: "Having failed to destroy our country through their military might [referring to the Ban Rom Klao border conflict of 1987–88], the enemy has now employed a new strategy in attacking us through the so-called attempt to turn the Indochinese battlefield into a marketplace. . . ."[42] It is partly the spectre of over-dependence on a single neighbour that has spurred Laos into recently improving its relations with China. No doubt, it also helps to explain why suggestions that more bridges be constructed to link Laos and Thailand have not received great support from the Lao side.[43] These bridges, seen through Lao eyes, would be ties that bind.[44] Recent reports have also indicated that traffic across the Friendship Bridge is limited — quite intentionally, apparently, as Lao red tape has deterred many traders.[45]

The Lao Government's strategy, as it attempts to reinvigorate the economy, is informed by historical precedent — largely unobscured by ideology — and seems to be one driven by the simple, pragmatic desire to spread the risks of land-lockedness and (relative) powerlessness by developing and sustaining good relations with its neighbours. Nonetheless, as the reforms proceed, the country is likely to become yet more dependent on Thailand. Between mid-1988, when the new investment code was introduced, and the end of 1994, Thailand was by far the largest investor in the country, contributing US$256 million. The next largest investor was the United States with just US$85 million.[46] Much of this investment was concentrated in hotels and tourism, and textiles and garments. Overall, more than half of Laos' trade is with Thailand, and plans to further develop the country's hydropower potential with a view to supplying the Thai market will only serve to further tie Laos into a dependent, and subordinate, relationship with Thailand. Laos' bargaining position, as a small, poor and powerless country, is extremely weak *vis-à-vis* all these developments.

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Dependency, in Lao eyes, does not only mean economic and political dependency. It also translates into cultural "imperialism". Many newly-wealthy Lao living along the Mekong Valley watch Thai television broadcasts, and there are fears that these people are becoming Thai-ified. For example, former president and Pathet Lao veteran Phoumi Vongvichit recently warned against the dangers of prostitution, "depraved" dancing, gambling and the general undermining of Lao culture by imported ideas.[47] Significantly, and in this regard Laos represents a rather novel departure from the normal interpretation, these "unsavoury" developments are not seen as part and parcel of Westernization, but of Thai-ization. Thailand, in this instance, is the Great Polluter of cultural identity, not the West (although it could be reasonably argued that these are really Western imports, just one step removed). Thai businessmen have a reputation — whether justified or otherwise — for being rapacious, mercenary and duplicitous in their dealings, and Thai people in general are regarded as perceiving themselves to be culturally superior to the Lao. Newspaper reports even dubbed the Mittaphaap Bridge the "AIDS Bridge", because it could bring prostitution and AIDS (Acquired Immune Deficiency Syndrome) to the country.[48] The government in Vientiane appears to be studying the effects of the Friendship Bridge before it agrees to any further bridge-building projects.[49]

Economic Dependency

Except for Brunei (an oil exporter), Laos has the narrowest export base of any country in Southeast Asia. Between 1984 and 1989, 76 per cent of exports were accounted for by just two products, timber and hydropower (sold to Thailand). This figure has since declined, but the export base remains a narrow one: in 1992, garment exports overtook power and overflight receipts as the country's leading foreign exchange earner, generating US$35 million out of US$92 million worth of exports. Hydropower exports contributed US$17 million.[50] Taken together, garment and hydropower exports therefore contributed 57 per cent of total export earnings. Other important exports include coffee and mineral products.[51] Moreover, imports are 75 per cent financed by aid. Both these factors mean that Laos is vulnerable to external political and economic developments.

This vulnerability has been illustrated in the effect that the economic reforms have had on the timber industry. From 1986 to 1988 commercial logging accelerated as access to Laos' forests by commercial firms (mostly Thai) became easier. Various administrative controls to ensure sustainable harvesting failed, and in January 1989 the government was forced to introduce a logging ban (coincidentally, the same month that a logging ban was

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introduced in Thailand). By doing this, the government was forced to forgo a considerable amount of revenue. The logging example illustrates four issues: first, the lack of personnel to manage and administer the shift to market economics; second, the potentially rapacious role of Thai commercial interests in Laos; third, the likely place of Laos in any regional resource economy — as a source of natural wealth;[52] and fourth, the loss of control inherent in the shift to "new thinking".

Most developing countries are lacking in human resources, but in Laos this is particularly acute. Following the victory of the Pathet Lao in 1975, 305,000 Lao (about 10 per cent of the population) — including most of the educated middle class — fled the country, leaving an economy bereft of skilled personnel to tackle the task of reconstruction.[53] They left to escape political persecution and because of the dearth of opportunities that would exist in an economy largely controlled by the state. The education of 12,000 Lao overseas, particularly in the former Soviet Union and Eastern Bloc countries, has helped partially to narrow this gap. But even so, the 1986 census recorded that only 0.3 per cent of workers or some 500 individuals, were university graduates.[54] The shortage in skilled and educated personnel is being met by large numbers of foreign advisers. For example, an extensive road-building programme in the north of the country is being undertaken almost entirely by Chinese engineers.[55] Such an approach, however, can only be a short-term palliative and is clearly dependent on continued foreign assistance. It also brings its own set of problems. As one report put it, "The administration [in Vientiane] is overwhelmed by short-term missions and visitors".[56] At a lower level of education, the adult literacy rate has been estimated to be 55 per cent (in 1992) — one of the lowest in the region — while only 22 per cent of school children enter secondary education.[57]

Reliance on foreign advisers highlights a related reliance on financial assistance from abroad. The annual trade imbalance in 1993 amounted to about US$142 million — very large for a country with a GDP of just US$1,027 million.[58] Loans and grants comprise about 15–20 per cent of GDP, or about US$40 per capita.[59] Although there is currently considerable international goodwill towards Laos, the reliance of the country on handouts from wealthier nations (even Thailand now has a small aid programme for Laos) again contributes to feelings of dependency and vulnerability.

Laos as the Keystone of Mainland Southeast Asia

Laos has usually been perceived as lying in a geographically peripheral location, at the edge of, and isolated from, the dynamic Asian region.

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The discussion above has also stressed the extent to which Laos is "marginal". However, it is also possible to argue that the country lies at the centre of a newly dynamic and evolving area. There has also been talk of Laos creating a role for itself as the linchpin or keystone in the emerging regional economy of mainland Southeast Asia, including southern China's Yunnan province, Myanmar (Burma), Thailand, as well as Laos.[60] Laos, in theory, would lie at the centre of this new, emerging economic region — a so-called Golden Quadrangle.[61] This term appears to draw on two sources for inspiration: the old Indian notion of Southeast Asia as Suvarnabhumi or a "Land of Gold" (to which former Prime Minister Chatichai referred); and the newer "Growth Triangles" of Asia (in particular the Triangle incorporating Singapore, the Malaysian state of Johor and Indonesia's Riau archipelago).[62] Road and rail links are being rapidly developed, while trade is also expanding (Map 2). Instrumental in efforts to transform the area is the Asian Development Bank (ADB) which, rather prosaically, calls a larger six-country region the Greater Mekong Subregion.[63] This encompasses Laos, Myanmar, Thailand, Cambodia, Vietnam and south-west China.

Although politicians and perhaps some academics may find the spatial content of the above designations rather beguiling — with Laos lying at the core of a new economic sub-region — the reality is that business opportunities are few and far between. The inhabitants of this sub-region are mostly poor farmers with very limited spending power, low levels of education, and few marketable skills. In short, the niches for profitable investment are very few and those that do exist are largely geared to the exploitation of natural resources. It would seem that Laos is at risk of becoming simply an appropriate place to build a highway — a transshipment station linking other, far more economically vibrant areas, and in particular Thailand's northeastern region and southern China. Nonetheless, for the Lao Government, perhaps the chief attraction of the Golden Quadrangle is that it balances dependency between three major players: Bangkok, Hanoi and Beijing. It also transforms Laos into a critical component in a wider regional economic system, making dependency more reciprocal and, by extension, less unbalanced. In a recent interview, Laos' Deputy Prime Minister Khamphoui Keoboualapha remarked that, "We [Laos] want to become the link between Vietnam, China, Thailand, Burma and Cambodia".[64] Such a linkage, however, is informed by a deep distrust of the intentions of the country's more powerful neighbours.[65]

Uneven Distribution of Development and Wealth

Along the Mekong River, where the land is comparatively rich, incomes

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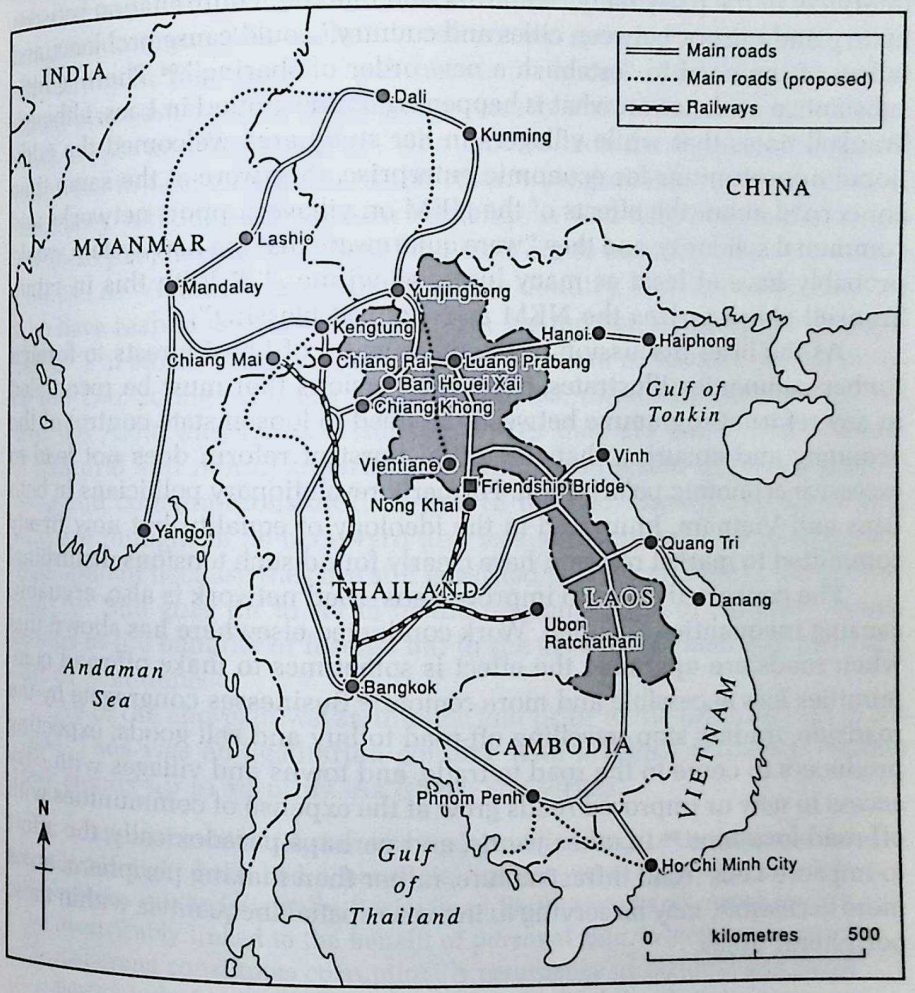
MAP 2



are rising. Access to Thailand, and comparatively good communications have also given people living along the Mekong the potential to exploit the incentives enshrined in the NEM. But in the interior, and in highland areas, levels of development are extremely low and the reforms of the past eight years have yet to make an impact. This has raised fears of widening economic inequalities, and resulting social friction. Although Lao officials have warned against the polluting cultural and economic influence of Thailand, a sub-text seems to be a fear of widening economic disparities. In this regard, the experience of Vietnam seems relevant. There, *doi moi* or "renovation" (the Vietnamese equivalent of the NEM) has bestowed wealth on a few people in a few areas, but left most people in poverty.

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In January 1992, the reformist premier of Vietnam, Vo Van Kiet, in an interview in the party daily *Nhan Dan* said that the "confrontation between luxury and misery, between cities and country" could cause problems, and talked of the need to "establish a new order of sharing".[66] There is little substantive evidence on what is happening on the ground in Laos, although Trankell notes that while villagers in her study area welcomed the additional opportunities for economic enterprise, they were at the same time concerned about the effects of the NEM on village support networks and communal solidarity, and they "were quite aware that the new system would probably have at least as many losers as winners".[67] With this in mind, Trankell characterizes the NEM as a "mixed blessing".

As the brief discussion of the opening-up of Laos' forests to foreign timber companies illustrates, there are tensions that must be reconciled in any reform programme between the need to loosen state control of the economy and ensuring that the initial burst of reform does not lead to excessive economic polarization. Formerly revolutionary politicians in both Laos and Vietnam, immersed in the ideology of equality, but now firmly committed to market reforms, have clearly found such tensions disturbing.

The concerted effort to improve Laos' road network is also, arguably, causing inequalities to widen. Work conducted elsewhere has shown that when roads are upgraded the effect is sometimes to make off-road communities less accessible and more remote.[68] Businesses congregate by the roadside, traders stop travelling off-road to buy and sell goods, expecting producers to come to the road to trade, and towns and villages with easy access to new or improved roads grow at the expense of communities with off-road locations.[69] In other words, and perhaps paradoxically, the effort to improve Laos' road infrastructure, rather than making peripheral areas more accessible, may be serving to increase spatial inequalities within these peripheral areas.

Conclusion

Laos, according to some measures, is the poorest country in Southeast Asia. It is also one of the least studied, yet is undergoing perhaps the most radical process of social and economic re-orientation in the region. There has been comparatively little work published in the academic literature on the country's experience of economic reform. Much of the literature that does exist is either produced by the development agencies that throng the capital, Vientiane, or by journalists. In both cases it may not be easy to gain access to this literature.

It is clear that at one level Laos has been successful at economic reform, in so far as the NEM has changed the structure of economic

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relations in the country and the role of the state in the economy. Whether this has improved livelihoods is, however, more difficult to answer. It is tempting to argue that economic reform has merely widened economic disparities in the country, both between regions and between classes. It may also have benefited outsiders — mostly Thai investors — rather than local people and businessmen, who tend to lack the skills and financial resources to take advantage of the reform programme. Another facet of inequality, although this is both contentious and disputed, is that those few local people who have benefited tend not to be ethnic Lao, but rather Chinese or Vietnamese residents of the country. Furthermore, the Lao who have reaped the rewards of reform are the Lao Loum — the lowland Lao of T'ai stock — not the Lao Theung who are of Mon-Khmer descent or the Lao Soung who are "tribal" peoples, especially the Hmong but also the Akha and Lahu.[70] Trankell writes that the Lao Loum's "sense of [cultural and moral] superiority is often manifested in both a patronizing and contemptuous attitude toward the Lao Theung and Lao Sung, who are thought of as backward and less susceptible to socio-economic development because they are still governed by their archaic cultural traditions".[71] She goes on to write of the uneven access of different ethnic groups to the benefits of foreign aid in the area in Bolikhamxai province, east of Vientiane.

All of the above, however, implies that prior to the introduction of the NEM, Laos was an egalitarian country with a robust economy. Neither view stands up to scrutiny. As Stuart-Fox writes:

> . . . Marxism ultimately became irrelevant [in Laos]. In the one area the Party might have had a beneficial impact, on the morality of civic culture, it failed dismally. Social (read Party) status and power remain inextricably linked to the benefit of personal gain, which in the political arena constitutes corruption. A resurgence of regional and more particularly family and clan interests reflected the Party's failure to create a national commitment even among its own cadres.[72]

Most studies of economic reform in Southeast Asia emphasize the degree to which the governments in question are engaged in a balancing act between economic reform and political control. In other words, while trying to free-up their economies they are also attempting to maintain a tight grip on the political process. This certainly appears to be the case in Vietnam and Myanmar with respect to the Vietnamese Communist Party and the State Law and Order Restoration Council. However, in Laos the balancing act appears to be rather different. There, the government is attempting to free-up the economy while minimizing dependency on any one of Laos' larger, and more powerful, neighbours. The fear is that the

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NEM, by reducing state control of the economy, will allow outsiders — and particularly Thai businessmen — to achieve excessive influence over the country's economic affairs. The past, and Lao interpretations of that past, have led Lao leaders to perceive their small country as a victim of historical processes beyond their control.[73] It is the fear of economic domination, coupled with the recognition that Laos must become integrated into the wider mainland Southeast Asian economy, which informs much of recent economic and political decision-making.

NOTES

* This paper is based on an initial visit to Laos in 1991 sponsored by the Committee for Social Sciences of the Lao PDR and generously supported by the British Academy. The author is grateful to both institutions for their support.

1. In terms of purchasing power parity (PPP), the average Laotian is much richer, with a per capita income of $1,760. UNDP, *Human Development Report 1994* (New York: Oxford University Press, 1994).
2. UNDP, *Development Co-operation: Lao People's Democratic Republic* (Vientiane, Laos: United Nations Development Programme, 1990), p. 9.
3. Joseph J. Zasloff, "Political Constraints on Development in Laos", in *Laos: Beyond the Revolution*, edited by Joseph J. Zasloff and Leondard Unger (Basingstoke: Macmillan, 1991), pp. 3–40.
4. Paul Handley, "Making Connections", *Far Eastern Economic Review*, 4 November 1993, pp. 28–31.
5. Quoted in Lao PDR, *Report on the Economic and Social Situation, Development Strategy, and Assistance Needs of the Lao PDR*, volume 1 (Geneva: Lao PDR, 1989), p. 9.
6. Siriphan Kitiprawat, "Business Opportunities in Laos Today", *Bangkok Bank Monthly Review* 33, no. 11 (1992): 15–22.
7. "An Asian Snail", The *Economist*, 5 November 1994, pp. 74–80.
8. See Michael C. Williams, *Vietnam at the Crossroads* (London: Pinter, 1992).
9. UNDP, "Unpublished Report on the Reform of the Lao Economy" (Vientiane, Laos: United Nations Development Programme, n.d), p. 1.
10. "Laos Plots Its Path to Riches", The *Economist*, 6 November 1993, p. 95.
11. Bertil Lintner, "Open for Business", *Far Eastern Economic Review*, 9 February 1995, pp. 22–23. In 1990, the deficit stood at US$122.4 million at a time when exports amounted to only US$62.7 million (Siriphan Kittiprawat, op. cit., p. 15). Reports at the time indicated that the 1994 deficit was likely to be even larger than that of 1993 (Bertil Lintner, op. cit., p. 23). Note that figures for exports and imports vary widely. Another pair of figures for 1993 are exports of US$220 million and imports of US$385 million (Keesing's, "Annual reference supplement", *Keesing's Record of World Events* 40 [1994]: R77).
12. UNDP, *Human Development Report 1994*.
13. UNDP, "Unpublished Report on the Reform of the Lao Economy"; and UNDP, *Human Development Report 1994*.

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14. UNDP, "Unpublished Report on the Reform of the Lao Economy", p. 113.
15. Ing-Britt Trankell, *On the Road in Laos: An Anthropological Study of Road Construction and Rural Communities*, Uppsala Research Reports in Cultural Anthropology No. 12 (Uppsala: Uppsala University, 1993), p. 85. The report itself baldly states that "The construction of Road 13 South does not impact on the villagers. . . ."
16. World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (New York: Oxford University Press, 1993).
17. See, for example, the April 1994 issue of *World Development Report* (vol. 22, no. 4) which contains a series of papers analysing the book, including: J.M. Page, "The East Asian Miracle: An Introduction", pp. 615–25; A.H. Amsden, "Why Isn't the Whole World Experimenting with the East Asian Model to Develop?: Review of *The East Asian Miracle*", pp. 627–33; J. Kwon, "The East Asian Challenge to Neo-classical Orthodoxy", pp. 635–44; S. Lall, "The East Asian Miracle: Does the Bell Toll for Industrial Strategy?", pp. 645–54.
18. "Development" here is used as shorthand for "modernization". It is accepted that some commentators would not associate the modernization of Laos' neighbour, Thailand, for example, with development in the true, multi-dimensional, meaning of the word. See, for example, Peter Bell, "Thailand's Recent Economic Development: The Contradictions of Export-oriented Growth" (Paper presented at the Fifth International Conference on Thai Studies, School of Oriental & African Studies, London, July 1993). Indeed, they might argue that in a number of respects Laos is more developed than Thailand — for example, in terms of environmental sustainability, gender equality and human dignity.
19. UNDP, *Development Co-operation*, p. 9.
20. Joseph J. Zasloff and MacAlister Brown, "Laos 1990: Socialism Postponed but Leadership Intact", *Southeast Asian Affairs 1991* (Singapore: Institute of Southeast Asian Studies, 1991), p. 149.
21. UNDP, *Development Co-operation*, p. 18.
22. The Economist, "An Asian Snail", 5 November 1994.
23. Lao PDR, *Report on the Economic and Social Situation*, p. 48.
24. Ibid., p. 49.
25. Arthur J. Dommen, "Laos: Consolidating the Economy", *Southeast Asian Affairs 1994* (Singapore: Institute of Southeast Asian Studies, 1994), pp. 167–76.
26. Grant Evans, "Deadly Debris", *Far Eastern Economic Review*, 22 September 1994, pp. 58–59.
27. Ibid., p. 58.
28. Lao PDR, *Report on the Economic and Social Situation*, p. 51.
29. Namely, Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.
30. This network of highways linking Laos with seaports on Vietnam's South China Sea coast was originally created by the French in their attempt to build an integrated Indochinese "federation".
31. Peter C.N. Hardstone, "Laos: The Transportation Problems of an Indochinese Landlocked State", *Philippine Geographical Journal* 22, no. 3 (1978): 151–60.
32. Lee Yong Leng, *Southeast Asia and the Law of the Sea* (Singapore: Singapore University Press, 1980), p. 47.
33. Joseph J. Zasloff and MacAlister Brown, op. cit., p. 154.
34. Rodney Tasker, "Facing Up to Security", *Far Eastern Economic Review*, 6 August 1992, pp. 8–9.
35. "An Asian Snail", The Economist, 5 November 1994.

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36. Quoted in Justus M. van der Kroef, "Laos and Thailand: The Balancing of Conflict and Accommodation", in *Contemporary Laos: Studies in the Politics and Society of the Lao People's Democratic Republic*, edited by Martin Stuart-Fox (St. Lucia: University of Queensland Press, 1986), p 183.
37. David Wyatt, *Thailand: A Short History* (New Haven: Yale University Press, 1984), p. 202.
38. Ibid., pp. 170–71.
39. Martin Stuart-Fox, "Lao Foreign Policy", in *The Political Economy of Foreign Policy in Southeast Asia*, edited by David Wurfel and Bruce Burton (Basingstoke: Macmillan, 1990), p. 275.
40. French plans to build a railway linking Tha Khek in Laos with Vietnam was part of an attempt to link the two countries so that natural resources from Laos could feed Vietnamese industrial development.
41. Michael Vatikiotis, "Trading on Culture", *Far Eastern Economic Review*, 30 March 1995, pp. 28–29.
42. Rodney Tasker, "New War of Words", *Far Eastern Economic Review*, 27 July 1989, pp. 25–26.
43. Suggestions have included plans to build bridges between the Thai province of Loei and Sayaboury, between Nakhon Phanom and Khammouane, between Mukdahan and Savannakhet, and between Chiang Khong and Ban Houei Xai.
44. *Bangkok Post*, "Where To Draw the Line Remains Divisive Issue", *Bangkok Post*, 28 September 1993.
45. Michael Vatikiotis, "Construction Ahead", *Far Eastern Economic Review*, 1 December 1994, pp. 62–63.
46. "Speculation on Second Bridge Takes Over from 'Friendship Fever'", in *Bangkok Post*, 17 May 1994, p. 3.
47. Paul Handley, "Making Connections", p. 29.
48. "Laos Sees Border as Mixed Blessing", *The Times* (London), 2 November 1993.
49. Bertil Lintner, in "Open for Business", p. 23, writes: "The government apparently wants to study the impacts of its first Mekong Bridge before approving a second one. Many Lao officials worry about the social costs of rapid growth and economic opening, such as juvenile delinquency, drug abuse and prostitution".
50. Bertil Lintner, "Add Water: Laos' Hydroelectric Plans Seem Overambitious", *Far Eastern Economic Review*, 13 October 1994, pp. 70–71.
51. Siriphan Kitiprawat, op. cit., p. 17; Paul Handley, "Making Connections"; and Paul Handley, "Seeds of Friendship", *Far Eastern Economic Review*, 16 September 1993, pp. 71–72.
52. See Philip Hirsch, "Thailand and the New Geopolitics of Southeast Asia: Resource and Environmental Issues", in *Counting the Costs: Economic Growth and Environmental Change in Thailand*, edited by Jonathan Rigg (Singapore: Institute of Southeast Asian Studies, forthcoming 1995).
53. Joseph J. Zasloff and MacAlister Brown, op. cit., p. 142.
54. Lao PDR, *Report on the Economic and Social Situation*, p. 52.
55. Inside Indochina, "Speculation on Second Bridge Takes Over from 'Friendship Fever'".
56. UNDP, "Unpublished Report on the Reform of the Lao Economy", p. 138.
57. UNDP, *Human Development Report 1994*, p. 4; and World Bank, *World Development Report 1995* (Oxford: Oxford University Press, 1995).
58. World Bank, *World Development Report 1993* (Oxford: Oxford University Press, 1993). See also Bertil Lintner, "Open for Business".

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59. This is not new. During the Vietnam War, Laos had the honour of, at one and the same time, receiving more aid per head of population than any other country in the world, while also being bombed more heavily per head of population than any other country.
60. See Bertil Lintner, "Ties that Bind", *Far Eastern Economic Review*, 9 February 1995, pp. 18–19; Bertil Lintner, "Open for Business", Paul Handley, "Making Connections", p. 31; Arthur J. Dommen, *Laos: Keystone of Indochina* (Boulder: Westview, 1985).
61. Paul Handley, "Seeds of Friendship".
62. See M. Perry, "The Singapore Growth Triangle", *Singapore Journal of Tropical Geography* 12, no. 2 (1991): 138–51.
63. Michael Vatikiotis, "Construction Ahead".
64. Bertil Lintner, "Ties that Bind", p. 19.
65. Inside Indochina, "Speculation in Second Bridge Takes Over from 'Friendship Fever'".
66. Quoted in Michael Williams, op. cit.
67. Ing-Britt Trankell, op. cit., p. 92.
68. Gina Porter, "Mobility and Inequality in Rural Nigeria: The Case of Off-road Communities" (Paper presented at the Institute of British Geographers Conference, January 1995, University of Northumbria at Newcastle, UK).
69. Porter writes with reference to off-road communities in Nigeria: "It has been suggested in this paper that off-road communities may become increasingly disadvantaged, increasingly unequal, following road construction, particularly if bush track maintenance is abandoned and off-road transport services decline: market systems are reshaped and many off-road markets suffer, agricultural production is affected in terms of profit per crop tonne and possibly yield per hectare, personal welfare suffers as access to health, education and other facilities is reduced" (ibid., p. 10).
70. Laos' ethnically diverse population is usually — and rather simplistically — divided by ecological zone into three groups: the wet rice cultivating, Buddhist Lao Loum of the lowlands, who are politically and numerically dominant, constituting over half of the total population; the Lao Theung who occupy the mountain slopes and make up about a quarter of the population; and the Lao Soung, or upland Lao, who live in the high mountains and practice shifting cultivation, and who represent less than a fifth of Laos' total population. The terms were brought into general usage by the Pathet Lao who wished to emphasize that all of Laos' inhabitants were "Lao", and to avoid the more derogatory terms that had been used in the past — such as the Thai word *kha*, meaning "slave", to describe the Mon-Khmer Lao Theung, like the Khmu and Lamet.

    Although the words have a geographical connotation, they should be viewed more as contrasting pairs of terms: *loum* and *theung* mean "below" and "above" (rather than "hillsides" and "lowland"), while *soung* is paired with *tam*, meaning "high" and "low". These two pairs of opposites were then brought together by the Pathet Lao into one threefold division. It is possible that Lao Theung in one area may occupy a higher location than Lao Soung in another area. In addition, economic change, greater interaction between the groups, and the settlement of lowland peoples in hill areas, means that it is possible to find Lao Loum villages in upland areas, where the inhabitants practise swidden, not wet-rice agriculture. Thus, although it is broadly possible to characterize the mountain slopes as inhabited by the Lao Theung of Mon-Khmer descent, in practice the neat delimitation of people into discrete spatial units breaks down, and as the years go by is becoming increasingly untenable. See Jan Ovesen, *Anthropological Reconnaissance in Central Laos: A Survey of Communities in*

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a Hydropower Project Area, Uppsala Research Reports in Cultural Anthropology No. 13 (Uppsala: Uppsala University, 1993), pp. 31–32; and Trankell, op. cit., pp. 12–15.

71. Ing-Britt Trankell, op. cit., p. 14.
72. Martin Stuart-Fox, "On the Writing of Lao History: Continuities and Discontinuities", *Journal of Southeast Asian Studies* 24, no. 1 (1993): 114.
73. See ibid.

JONATHAN RIGG is Reader in the Department of Geography at the University of Durham, U.K.

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Transnational Production and Security: Southeast Asia's "Growth Triangles"

AMITAV ACHARYA

This article explores the impact of transnational production on security, with specific reference to the "growth triangles" of Southeast Asia. After highlighting the changing global and regional strategic environment and the role of the state in promoting growth triangles, the article argues that they should be examined for their security-enhancing as well as security diminishing implications. With respect to the former, of particular significance is the impact of the growth triangles in moderating inter-state conflict, in contributing to the internal stability of the participating states, and in increasing the stakes of the world's major powers in the security and well-being of the region. Among the security-diminishing consequences of the growth triangles is their potential to exacerbate inter-ethnic and political tensions within participating states as well as foster inter-state suspicions over the uneven distribution of their economic benefits.

Introduction

The linkage between economics and security has emerged as one of the major areas of theoretical reflection and empirical enquiry in the literature on international relations.[1] Much of this literature has been concerned with the pacific effects of interdependence, especially the form of interdependence associated with international trade.[2] Other forms of transnational economic linkages, such as transnational production, have received less attention in the analysis of international security. Yet, during the post-World War II period, transnational production has been a key trend in the global political economy.[3] While the spread of capitalist development

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and the transnational movement of capital, technology and labour have been key areas of enquiry in the global political economy, there has been surprisingly little effort to understand the security underpinnings and implications of transnational production.[4]

In the past decade, there has been a proliferation of sites of transnational production in Southeast Asia known variously as "growth triangles", "natural economic territories" or "subregional economic zones" (this article will use the term "growth triangle" as a generic concept). At least four such areas are noteworthy: the Singapore-Johor-Riau (SIJORI) triangle; the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT); the East Asian Growth Area (EAGA) involving Sabah, Sarawak, and Labuan in Malaysia, North Sulawesi, East Kalimantan and West Kalimantan in Indonesia, the Mindanao region of the Philippines and Brunei; and finally, the Growth Quadrangle of Mainland Southeast Asia, consisting of China's Yunnan province, Laos, Thailand and Myanmar. These areas, along with similar concepts in Northeast Asia, including the Southern China Growth Triangle and the Tumen River Area Development Programme, provide a rich source of empirical analysis of the linkage between transnational production and national and regional security. This article seeks to examine the extent to which the phenomenon of transnational production has been affected by security considerations of the participating states. It also explores the impact of these economic zones on security prospects and inter-state relations within the region. Although the article deals with a number of economic zones, the specific focus here is on SIJORI, or the Singapore-Johor-Riau triangle (also known as the Southern Growth Triangle), which is the first such experiment in Southeast Asia and whose evolution captures many of the security issues associated with transnational economic activities in the region.

At the outset, the term "growth triangle" as a form of transnational production requires clarification. Transnational production occurs when the factors of production, such as land, capital, technology and labour, for a single product are derived from, and located within, several national territories. Although there is no standard definition of what constitutes a growth triangle, this phenomenon fits closely within the concept of transnational production. Mohammed Ariff succinctly captures the essence of the phenomenon:

> Growth triangles act as a "production bloc" within which labour, capital and technology move freely. The main purpose is to minimise costs and maximise returns, to render the triangle an attractive centre for investments and its products competitive internationally.[5]

Viewed from an economist's perspective, the growth triangles of

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Southeast Asia would appear to be based primarily on economic logic and rationality, rather than on the political and security interests of the concerned states. This view has been reinforced by a popular perception that these triangles are manifestations of "market-driven regionalism", as opposed to the kind of bureaucracy-led "regional integration" associated with the European Community. Thus, in the context of SIJORI, it has been pointed out by Singapore's former Trade and Industry Minister that: "The approaches of the [ASEAN] governments towards economic development have shifted significantly to enable these private free enterprise links to grow and therefore to enable the reality of economic integration and co-operation to proceed quietly and eventually, decisively".[6]

But as this article will argue, the dynamics of transnational economic linkages in Southeast Asia cannot be properly understood without recognition of its political and security underpinnings. A number of historical and general features of regionalism in Southeast Asia attest to this. First, the pursuit of economic regionalism in Southeast Asia has never been detached from the regional political and security dynamic. While the emergence of the Association of Southeast Asian Nations (ASEAN) in 1967 was partly induced by common economic imperatives, ASEAN's founding fathers did not see economic regionalism as an end in itself. Rather, it was seen as a potential contributing factor towards rapid economic growth which would enhance regime legitimacy and strengthen the ability of governments to deal with the threat of communism. Moreover, throughout the years, economic regionalism in ASEAN has lagged behind its achievements in the political and security realms while intra-ASEAN political and security tensions have constrained the pace of economic co-operation.

Moreover, the advent of so-called market-driven regionalism in Southeast Asia had to await the emergence of a more conducive inter-state system after the end of the Cold War. It is this development which is universally recognized as having provided the impetus for growth triangles throughout the East Asian region. As Robert Scalapino points out, the emergence of certain NETs (natural economic territories) was possible "Only because the old ideological barriers to a market-oriented economy have come down".[7]

The political and security dimensions of growth triangles are further underscored by the central role of the state in promoting them. While the emergence of growth triangles in the region undoubtedly reflects a recognition of the limits of state-led market-liberalization measures (especially evident in the long gestation period, limited scope and slow pace of the ASEAN Free Trade Area or AFTA), the market-driven dynamic does not operate outside the constraints of state sovereignty and control. It is the

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state that provides the basic political and policy framework for operationalizing growth triangles. And where the development of transnational economic co-operation and linkages has not been consistent with a participating state's political and security objectives, the latter has acted to circumscribe the progress of the former, with the result that in some cases, a triangle has been reduced to a set of competing bilateral relationships.

Against this backdrop, the emergence of the growth triangles in Southeast Asia has both security-enhancing and security-diminishing implications. The following sections examine these two processes and assess their overall impact on domestic, inter-state and regional security relations.

Security-enhancing Consequences of Transnational Production

It is a major argument of liberal international relations theory that growing economic interdependence reduces the utility of force in international relations.[8] According to this view, all forms of transnational economic activity, including growth triangles, have the potential to promote peaceful inter-state relations. Scalapino has argued that:

> The intricately interwoven economic ties binding states together will reduce incentives to resort to violence in resolving inter-state disputes. Given the disruptions that would occur to each state's economy, the costs of regional conflict are growing rapidly. Today and in the future, any war conducted with one's neighbours will penetrate deeply into the very marrow of one's own economic system.[9]

Students of Southeast Asian history hardly need reminding that many of the states involved in the growth triangles today had been bitter enemies in the not-too-distant past. Thirty years ago, at the height of Indonesian President Soekarno's *Konfrontasi* policy, who could have imagined that Singapore, Malaysia and Indonesia would become such close partners in search of common prosperity? The emergence of a growth triangle linking Borneo and Mindanao is even more striking, given the longstanding dispute between Malaysia and the Philippines over Sabah. The case of the Indonesia-Malaysia-Thailand (IMT) triangle is somewhat different, since Malaysia and Thailand have long had a close border security relationship against communist insurgency. But even this relationship was subject to periodic strain, so much so that Thai authorities continue to harbour misgivings about Malaysian support for Muslim separatists in their southern provinces. Similarly, the periodic exodus of refugees from the troubled Indonesian region of Aceh (part of the IMT triangle) to Malaysia has been

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a sore point in the bilateral relationship. Thus, the shared commitment of these states to a growth triangle suggests at the very least that the traditional element of the region's high politics is no longer a sufficient barrier to serious attempts at economic regionalism. As Malaysia's Deputy Prime Minister, Anwar Ibrahim, put it, "Instead of talking about border disputes, we are now promoting economic cooperation through growth triangles and other cross-border linkages".[10]

Even today, several of the Southeast Asian growth triangles involve states which remain mired in a number of territorial disputes with one another.[11] Singapore and Malaysia contest sovereignty over Pedra Branca island while Indonesia and Malaysia dispute the Sipadan and Ligitan islands. Malaysia, Brunei and the Philippines are parties to the Spratlys dispute (along with Vietnam, China and Taiwan). The fact that all these countries have expressed a strong commitment to growth triangles suggest not only that these bilateral problems have been significantly muted by a shared quest for prosperity, but also a belief that such interdependence might further reduce the incentive to settle their disputes by military means.

A second impact of transnational economic activity through growth triangles is their potential contribution to the domestic stability of the concerned states. For Southeast Asian states, the notion of security continues to be inward-looking. Despite the decline of ideology-based opposition movements, the prospect for serious internal unrest rooted in socio-economic grievances and distributive injustice remain a challenge to state and regime stability. As economies in the region attain rapid growth rates, there is a real danger that inter-class, inter-ethnic and rural-urban disparities might widen. Traditionally, such disparities have contributed to rebellious activity on the part of marginalized social and ethnic groups, the majority of which tend to inhabit the border areas. It is no coincidence that the most serious ethnic and religion-based insurgencies in Southeast Asia are to be found in these economically-marginalized border areas. Examples of such groups include the Moro rebels in the southern Philippines, the Muslim separatists in southern Thailand, and the Aceh separatist movement in northern Sumatra.

In many cases, the sources of these rebellions have been aggravated by the somewhat arbitrary and artificial construction of the nation-states in the region. Colonially-imposed state boundaries running through single pre-colonial economic units dissipated the economic vitality of the border regions. Post-colonial capitalist development, favouring the interests of the dominant ethnic élite in large urban areas, further marginalized these essentially rural outer regions. By rejoining these areas across present-day national territories, the growth triangle concept, if successful, might restore and maximize their economic potential. Arguably therefore, growth

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triangles represent a welfare-oriented approach to national security and integration which, if successfully pursued, would help to pacify border region insurgencies in the concerned states. In this respect, as the *Economist* magazine has noted, the growth triangle concept makes eminent political sense because the very phrase "sounds like they [Southeast Asian governments] are doing something for development in politically troubled regions".[12]

In a related vein, the growth triangle concept is a powerful instrument of regime legitimacy. In a recent paper, Hadi Soesastro drew attention to a "virtuous cycle of national economic development, regional economic integration and security in the Asia-Pacific region". As he put it:

> . . .economic interdependence and integration in the region contribute to economic growth and development of the region as a whole. As people's well-being in the region increases, the region becomes more stable; this in turn improves the region's security.[13]

The linkage between "people's well-being" and "security" remains especially pertinent in the context of Southeast Asia, where the "national security" problematic is often shaped by the regime's concern for legitimacy and survival. If growth triangles live up to their name, they would contribute to what has been called "performance legitimacy" (as opposed to legitimacy based on charisma, primordial loyalties or ideology) of the region's governments. Moreover, developmentalist states which achieve rapid growth rates through transnational economic activity also gain expertise in judicious and transparent handling of their finances and channelling their material resources to development and welfare activities. Thus, domestic stability and order are a primary area of security in which growth triangles could make a significant contribution.

Apart from their potential to moderate domestic and inter-state conflict, the security-enhancing implications of growth triangles extend to another area: they represent a functionalist approach to peace and security. Since David Mittrany, functionalist theorists have argued that co-operation in areas of "low politics" (including economics) tend to spill over into other areas of human interaction, including areas of "higher salience" such as politics and security.[14] Although the functionalist view of economics as "low politics" is clearly outdated in the present international climate, it remains a basic axiom of world politics that co-operation is often more difficult to attain in security affairs than in economic matters. In the economic arena, as Stanley Hoffman argues: "unilateral action is widely seen to boomerang, and collective action is often seen as beneficial", while "In the realm of force, the conflict of interests and designs makes

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collective action exceptional, and unilateral action is seen as preferable to inaction".[15] In this sense, economic co-operation might be viewed as a useful or even indispensable way of improving the climate for political and security co-operation, especially as it helps the concerned states to develop norms and habits of joint action and greater experience in the art of problem-solving. Moreover, as the evolution of European regionalism from the European Coal and Steel Community to the European Union demonstrates, economic co-operation (albeit with an underlying political logic) has the potential to gradually move an adversarial relationship towards a formal and informal security alliance (France and Germany). In Southeast Asia, a similar potential for growth triangles has already been noted. Commenting on the SIJORI triangle, the former Foreign Minister of Singapore and a founding father of ASEAN, S. Rajaratnam, argued: "Just as the European Community has integrated a number of isolated national states into a cohesive economic and security organisation, I believe that the Johor-Riau-Singapore triangle will also act as a catalyst to transform the 25-year-old ASEAN into a strong and purposeful regional body".[16]

Fourthly, transnational economic activity, such as growth triangles, increase the stakes of the world's major powers in the stability and well-being of the participating states and regions. In Southeast Asia, as elsewhere in the developing world, great power interventionism and rivalry have often undermined regional stability. But in an era when geoeconomics is taking precedence over geopolitics, Southeast Asia's growth triangles offer outside powers strong incentives to view the region as a theatre of economic opportunity, rather than as an object of their power politics.

The experience of the former Soviet Union and pre-reformist China suggests that true great power status cannot be attained without a strong and open economy, one that both exploits and participates in the transnational movement of capital. Moreover, with the demise of the Soviet Union as a superpower, the world's major powers (including China) today display a convergent approach to economic development which recognizes the importance of transnational production. Growth triangles offer attractive holding sites for transnational capital which, in turn, substantially raises the stakes of the major powers in the area's security and stability.

In a related vein, there are many examples of small and weak states (including Singapore) seeking to enhance their security by turning themselves into a safe and attractive haven for foreign investment by the major capitalist states. The growth triangle concept would represent an extension of this approach to a wider setting.

Finally, just as transnational economic activity reduces the propensity for military conflict among the weaker powers, it also constrains the desire and ability of the great powers to pursue unilateral measures in relation

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to weaker and vulnerable states. For example, fear of upsetting mutually-beneficial economic linkages is a major factor inhibiting unilateral and aggressive pursuit of human rights objectives in the policies of external powers, especially the United States (as evident in the U.S. decision in 1994 to revoke the linkage between human rights and MFN [most favoured nation] status in relation to China). Without an expanding web of transnational economic activity, it is quite likely that the political and security relationship between the major powers, on the one hand, and the regional countries, on the other, could have been considerably worse. Similarly, in East Asia, transnational economic linkages remain a major barrier to the potential for Chinese and Japanese hegemonism in the region. This is a crucial factor in regional security in view of the fact that many Southeast Asian countries remain greatly apprehensive about the desire and ability of these Asian powers to step into the strategic void caused by superpower retrenchment.

Security-Diminishing Impact of Transnational Production

The above discussion of the security-enhancing contribution of growth triangles is not without qualifications and must be balanced against a number of problems which, if left unresolved, could adversely affect the security and well-being of the states concerned. While the impact of economic interdependence and integration in diminishing the utility of force within and between states remains to be tested, there are signs that the emergence of certain types of transnational economic activity might foster greater intra- and inter-state tensions.

In the domestic realm, growth triangles have the potential to aggravate cleavages along political, administrative/constitutional and ethnic lines. Because growth triangles encompass only a small portion of national territories, the distribution of their benefits within a participating state is likely to be politically sensitive. In Malaysia, federal–provincial tensions (which now appear to have eased) over SIJORI were evident when the Johor government lamented the Malaysian federal government's "lackadaisical stand" on the concept.[17] In a similar vein, the central government in Indonesia had to allay fears that SIJORI could divert resources away from development in eastern Indonesia.[18]

Commenting on SIJORI, a group of economists issued a warning that the growth triangle concept might run into serious domestic political problems in Malaysia and Indonesia over issues of: (1) "distribution, involving the need for Johor and Riau to spread the gains from the JSR [Johor-Singapore-Riau] triangle to other parts of their countries; (2) substitution,

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where development in Johor or Riau may displace development elsewhere in their countries or draw away resources inequitably; and (3) other effects such as inflation and perceived unfairness in the treatment of different states".[19] Such problems are broadly applicable to other ventures in the region as well. The demographic profile of states involved in growth triangles, especially the greater involvement of ethnic Chinese in Johor and Riau adds to their potential to exacerbate inter-ethnic tensions. This potential was highlighted when one Johor opposition politician alleged that the *bumiputras* might lose out in the growth triangle concept unless the state government ensured that only projects which will benefit them were included in the concept.[20] In the case of Riau, an Indonesian academic has expressed concerns that the normalization of Sino-Indonesian relations would make the Chinese in Batam more oriented towards Singapore, and this will make "integration of different racial groups in Batam... more difficult".[21]

Adding to concerns about the impact of growth triangles on domestic instability are the social consequences of the migration of workers and rapid economic growth. Problems of housing, lack of social services and resentment over wage differentials between the developed and underdeveloped segments of growth triangles may become the bases for social and political unrest.[22]

It is also noteworthy that Indonesian military leaders have referred to the threats to "social order" in Batam and hinted at Batam becoming a "centre for subversion" within Indonesia.[23] In Malaysia, as its deputy Home Affairs Minister put it, "the government has taken a serious view of the entry of foreign workers who started becoming a security threat in 1991".[24] While the growth triangles are not the only reason for the increased rate of labour migration, they certainly compound the problem, especially if travel restrictions in border areas are eased as part and parcel of the project. This fear is likely to dampen the enthusiasm of countries dependent upon foreign labour, such as Malaysia, for the growth triangles. (Malaysia is involved in three of the four triangles.)

Domestic concerns about the uneven spread of benefits from the growth triangles are mirrored in the inter-state context. When Singapore mooted the SIJORI concept, political concerns were expressed by the neighbours, especially Malaysia, that the project's benefits will accrue mostly to the island republic.[25] The political opposition in Malaysia made no secret of its desire to exploit the issue, with the leader of Semangat '46, Tengku Razaleigh Hamzah, alleging that the growth triangle could turn Johor into a "backyard" of Singapore and Batam.[26] Such criticism prompted Singapore's leaders to acknowledge that the success of SIJORI depended very much on "the political environment and on the willingness to bring

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Johor into integration with Singapore".[27] It has been pointed out that "the enthusiasm for the [SIJORI] concept is much lower in Kuala Lumpur than in Singapore",[28] while critics of Malaysia's attitude towards SIJORI have drawn comparisons with the federal government's more enthusiastic support for the IMT (especially the appointment of a ministerial-rank co-ordinator for the development zone.)

While Indonesia's attitude towards SIJORI is far less ambiguous, Jakarta is reportedly sensitive to the fact that Singapore, which occupies only 3 per cent of the land area within SIJORI, accounts for about half of its population and 90 per cent of its income.[29] Distributive concerns were raised explicitly by President Soeharto from the very beginning of the SIJORI project when he issued a warning that the growth triangle concept will not be politically viable unless it benefited all the parties involved.[30] Moreover, the governor of the Riau province had to address criticisms about "selling off" the province to Singapore.[31]

Political constraints on the growth triangles are also underscored by the reluctance of the various governments to institutionalize their management. The three SIJORI countries are yet to form an agency to manage the triangle, a reluctance which has been blamed for its slow progress.[32] In the case of the IMT, a strong institutional framework has also been rejected. While the various governments speak of the need to let the private sector take the lead in organizing the growth triangles, their lack of willingness to formalize and institutionalize these triangles also ensures that the latter remain hostage to inter-state political relationships, which are vulnerable to periodic setbacks.

A contributing factor to the domestic and inter-state political sensitivities about growth triangles is the fact that bilateral linkages within the triangles are not being uniformly developed. This problem is especially acute in relation to SIJORI which is best described as a set of parallel linkages between Singapore and Johor, and Singapore and Riau. SIJORI has been urged to develop a stronger link between Johor and Riau so as to "avoid the dominance of Singapore in the present set up".[33] In this context, the reason cited for Malaysia's desire for a tripartite agreement on SIJORI is worth noting. As Malaysia's Trade and Industry Minister put it, without such an agreement, "Malaysia might not know what Indonesia and Singapore had agreed to and vice versa".[34] Such a view mirrors Malaysia's uneasiness about the growing security relationship between Singapore and Indonesia which, from Kuala Lumpur's standpoint, could be at the expense of close Malaysia–Indonesia relations. In the past, this had prompted speculation in Malaysia that Singapore could be using its economic and security links with Indonesia as a counterweight to Malaysia.

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In addition to the above, closer economic relations forged between the countries involved in a growth triangle have the potential to alienate neighbours excluded from it. The close economic relations between Singapore, Indonesia and Malaysia have fuelled the perception of a "mini-ASEAN" in the making, a perception already apparent by the growing bilateral military linkages among the three. Singapore's Prime Minister dismissed such trilateralism by drawing attention to its divisive impact on ASEAN. Even the appearance of a subregional "core" within the grouping based on a combination of triangular economic and security linkages might clash with ASEAN's political and security objectives, especially when ASEAN is seeking to expand its membership and regional focus.

While subregional economic activities in East Asia are consistent with the liberal international economic order, their potential in enhancing the region's already spectacular economic success might engender a more divisive political and security relationship between the region and its Western competitors. By helping East Asian countries to sustain the momentum of their economic growth and in reducing their dependence on Western markets and capital, transnational economic linkages within East Asia are likely to fuel the region's new sense of political assertiveness. The current upsurge of East Asian pride in a distinctive socio-cultural and political milieu is largely a by-product of the region's growing affluence. This, in turn, has formed the basis for Asian resistance to Western political and security frameworks as they relate to human rights, democratization and security concepts which focus on these "non-military" aspects.[35] Thus, even though growth triangles help to reduce conflict and tension within East Asia, they could undermine the region's political and security relationship with the Western powers.

Conclusion

While growth triangles do not represent the only kind of transnational economic activity in Southeast Asia, they are a major aspect of the region's economic dynamism. They also carry major implications for the region's political and security outlook. The anticipated security effects of growth triangles appear to be generally positive. These include their impact in promoting more peaceful relations among the regional states, in contributing to regime stability and domestic order within the participating countries and creating a stronger stake in the region's political and economic well-being on the part of the world's major powers. Nonetheless, the rise of transnational economic activity in the region and the advent of the growth triangles are not entirely an unmixed blessing. The major security-diminishing implications of growth triangles are linked to concerns

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about the uneven spread of their benefits. Unless carefully managed, these concerns could contribute to greater domestic and inter-state tensions and undermine their potential to contribute to domestic stability, regime legitimacy and regional order.

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AMITAV ACHARYA is Associate Professor in the Department of Political Science at York University and a Senior Research Fellow at the University of Toronto-York University Joint Centre for Asia Pacific Studies.

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The Notion of an Arms Race in the Asia–Pacific

BUNN NAGARA

This article questions some popular notions concerning an "arms race" or an arms build-up in the Asia–Pacific region. It argues that there is no arms race in East Asia, despite reports of some high-profile defence "capital expenditure" acquisitions. Occasional or arbitrary acquisitions do not constitute a consistent or region-wide defence expansion programme, much less indicate a sense of political adventurism. Conversely, cuts in defence expenditure need not mean corresponding increases in social welfare provisions. Transparency in defence matters remains important, while instruments like the ASEAN Regional Forum, the proposed Southeast Asia Nuclear Weapons-Free Zone, and a new security doctrine are useful for contemporary regional security founded on confidence-building.

Introduction

Recent years have seen the rise in the economic fortunes of East Asia. There has also been the simultaneous demise of Cold War bipolarity although, perhaps, not of Cold War attitudes as such. Quite rightly, economics is now seen as the main event in the Asia–Pacific. Consequently, the countries of the region have focused on economics as never before, and more than other regions. By comparison, such traditional pursuits as strategic discourse and planning by individual nation-states have become secondary, despite some appearances. Ideological differences between states are now at most only academic. Yet, there seems to be growing (external, or extra-Asian) concern over what is called an "arms build-up", or even an "arms race", in the Asia–Pacific.

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Does such a regional phenomenon exist, and to merit the concern it has thus far attracted? The evidence as it stands is meagre. It appears that the alarm has been issued largely by the popular media in North America by certain Asian analysts, and projected onto the Asia–Pacific where economic growth, industrial competitiveness, political savvy and a nascent global prominence distinguishes the region from North America and Europe.

The Scenario

Much of today's popular reportage on regional arms acquisition programmes carries a fashionable sub-text: that there is a great need for responsible parties to be concerned, because the arms spiral might otherwise spin out of control. Comment on "arms build-ups" also commonly escalates into assumptions about "arms races". A judicious analysis of events would yield a more sanguine, less alarmist view. This predisposition is not complacency; it may simply be that there may be certain increases in purchases of military hardware, but they are not always consistent, orchestrated or spectacular, or for that matter, worrisome.

Much of the current alarm is essentially a mind-set: a body of preconceptions that are frequently untested and even tautological. But because it is a mind-set, it proceeds with an air of supposed authority to colour other judgements and commentary. It even ventures into the interpretation of data to confirm its character, thus investing itself with a certain *a priori* legitimacy.

That there may be some net increases in arms expenditure in the Asia–Pacific is a simple matter of arithmetic. But to argue that these net increases in costs signify also increases in military acquisitions, that these acquisitions are for equipment of an offensive nature, that the purchases are disproportionate to the perceived legitimate defence needs of the countries concerned, that they are therefore unnecessary, threatening, regionally destabilizing and undesirable, and that they are part of a *regionwide plan*, is really to flaunt one's gift for creative analysis. Many of these assumptions are implicit, but still no less central to the alarmist theme.

In reality, the matter of objective accounting can be read subjectively in any way. Reading the arms acquisition issue positively, the Pacific is half-full with the legitimate security forces of sovereign states in the region. Reading it negatively, the Pacific is half-empty of the keepers of the "regional order", the "benign (military) hegemon", the United States.

In short, the positive reading sees legitimate "burden-sharing". The negative reading sees pockets of a military "vacuum". The apparent linkage between any increases in defence expenditure by some and the

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cuts by another seems only self-evident,[1] but it is never interpreted positively by those who prefer a sensationalist splash.

Much of it also has to do with a misplaced continental focus. A common error is to view the Asia–Pacific in the style of an Occidental Cold War riot.[2] Unlike Europe, East Asia was not the site of a wrenching bipolar ideological cleavage, not even at the height of the Cold War. Partly because of the presence of China and Japan as major regional powers in their own right, because of the minimal influence of the Soviet Union, and because of the faint intimations of a resonance from India, the Asia–Pacific has not seen the dualism that saddled Cold War Europe — or technically, the Atlantic.

Commentary has nonetheless reached the level of a presumptuous proselytizing of paradigms, to the extent that even normal purchases of conventional arms for conventional purposes are deemed by critical outsiders to be deleterious. The negative connotation runs across the board: arms acquisition programmes in themselves are said to be a "transnational problem"[3] regardless of regional conditions, local needs, or national priorities.

Yet at certain points, these very conditions, needs and priorities are acknowledged and even endorsed. One motivation for increased defence spending in the region, particularly in Southeast Asia (where it does occur) is the doctrinal conversion from a counter-insurgency footing to a conventional defence posture. Despite the implications of growing differences in threat perception between the states in the region and the United States, or in the approach to dealing with it, Washington is said to be favourably disposed to this conversion.[4]

But the alarmism now contained in the concern over the region's defence budgets conflicts with this accommodation. Such conflicts of principle are difficult to resolve, particularly when their purveyors do not acknowledge them as basic incompatibilities requiring resolution. This contradiction in principle is nearly as vivid as the contrast between current concerns over the region's defence acquisitions, and the simultaneous push to sell F-16 aircraft.

There is even a sense of self-congratulation among some U.S. analysts that the United States, in effect, monopolizes the world's arms trade.[5] It is further argued that this would eventually work to the benefit of all. The U.S. defence market is already "much bigger" than the markets of all its allies combined, and probably bigger even when those of China and Russia are included in the aggregate. This American dominance is said to be a deepening phenomenon, particularly given the economies of scale, as costlier and more sophisticated weapons systems edge out the smaller producers in other countries.[6]

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At the same time, it is acknowledged that the arms trade has seen better trading days. World arms exports peaked in 1984, at US$64 billion. By 1989, they had dropped to US$45 billion.[7] U.S. government analysts see a continuing downturn, expecting a further drop to US$40 billion a year, or less, throughout the 1990s.[8]

Again, this downward trend sits uncomfortably with the various (Western) voices of concern over a perceived rising arms spiral. Even if the Asia–Pacific region conceivably entertains certain consistently larger arms budgets, it would be difficult to say how much really constitutes "large" — given the unique and sovereign needs, perspectives and priorities of each country concerned. A gross over-sufficiency of arms may only be too evident, but it would not be possible to lay a universal standard on arms sufficiency as such — particularly on a matter that is necessarily decided unilaterally, if not also as a state secret.

Furthermore, the demise of the Soviet Union and the Warsaw Pact has evidently led to cuts in defence expenditure in Europe and North America. Because the Asia–Pacific region — and East Asia in particular — had not been so riven by the Cold War, the collapse of the Soviet Union and of bipolarity did not redefine significantly the current international order for the region. The result is that there has been few if any cuts in defence expenditure consonant with those in the West. Consequently, much of the perceived growth in arms spending could merely be a relative impression, or simply culled from statistics showing that the region had lately constituted a larger proportion of the world's total arms trade, which has itself diminished in absolute terms owing to reductions in the West.

In Southeast Asia (in particular, the ASEAN countries), high defence expenditures were recorded throughout the 1980s. Since then, there has been little real growth, particularly since 1991, except for Myanmar and Singapore.[9] For the international community, Myanmar's defence budget is hardly the most excitable issue, even for that country; and Singapore's defence budget has not declined along with those of the others only because it is a matter of policy to peg it at 6 per cent of gross domestic product (GDP).

The countries of Indochina are too impoverished to have expanding arms budgets to be any kind of "problem" to others, seen from whichever quarter. In recent years, Vietnam has demobilized a significant part of its army following the 1989 pull-out from Cambodia. Generally, Southeast Asian defence budgets stand at only between 5 and 10 per cent of those in Northeast Asia. For Southeast Asia at least, external concerns over rising arms budgets seem to come a decade too late, are misdirected, or are wholly misconceived.

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It is sometimes conceded that while defence expenditures might not be alarming in Southeast Asia, it is altogether a different proposition in Northeast Asia. But is it really? Again, many of the simple, hasty and wrong assumptions of critical outsiders that apply to Southeast Asia also apply to Northeast Asia.

There was no increase in Japan's defence expenditure throughout the 1980s. In 1993, its defence budget increased by the smallest quantum in 33 years.[10] It is worth noting that Tokyo's minuscule 2 per cent growth in defence expenditure came at a time when the region was also said to be experiencing major strategic uncertainties. It would seem that countries in East Asia, at least, are perhaps not so certain about these uncertainties.

Moreover, in 1993, China's gross domestic product grew by 13.2 per cent, but its defence budget grew by only 12.5 per cent. Although this is in effect a cut in the budget allocation relative to gross national product (GNP), and certainly to GDP, it is hardly ever appreciated by outsiders as such.[11] China's defence budget actually declined in the mid-1980s, but rose from 1989 to match the high economic growth rates, or even a little less.[12] The size of the People's Liberation Army was cut from four million troops in the mid-1980s to the three million today, and the figure is still falling.[13]

But conventional reportage would either ignore, or colour negatively, these developments with talk of "soaring" budgets.[14] Not infrequently too, the negative spins are contained in those very accounts that report reductions in figures. This applies to reports on developments in East Asia as a whole, as much as to those on individual countries in the region.

Eight of the "key" countries in East Asia — China, Japan, South Korea, Taiwan, Indonesia, Malaysia, Singapore and Thailand — recorded an impressive GNP growth rate of 166 per cent from 1979 to 1989, but over the same period saw a defence budget increase of only 62 per cent.[15] Again, this defence budget increase is lower than if it had been pegged at a fixed percentage of GNP or GDP — and can be seen as representing an effective, or relative, drop in defence allocations.

It is further said that for such countries as China and Indonesia, arms expenditures are partly invisible because some (undeclared) funding may come from the military's vast commercial holdings. This is said to make declared expenditures unrepresentatively meagre, justifying speculative projections by those seeking arms control for the region.[16]

If this is so, these are systemic conditions in operation for many years, such that they need not "prove" recent increases in defence expenditure but could just as well preside over constant outlays or even reductions. The "invisibility" or opacity of these longstanding, extra-budgetary financing arrangements does not in itself illustrate or verify — much less

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prove — anything one way or another, and certainly not anything of recent origin. It would, if anything, render any presumption or speculation less plausible precisely because of the lack of transparency implied.

Some Western commentators have taken alarmism to new heights. They argue, for example, that East Asia's "miracle economies" are dangerously contributing to an impending regional Armageddon in already producing sophisticated electronic components for U.S. defence systems.[17] However, the reality is quite different. Some U.S. defence systems depend in some measure on certain electronic components produced in East Asia, owing to comparative cost advantage. The real issue is weapons capability, however: that is, the final assembly of these and other components to form a working device or system — and that is done only in the United States, not anywhere else. This does not make any of these countries much better armed, nor does it grant them special access to the weapons systems or devices as such.

In the United States, there has been a debate for years over the country's continued dependence on these foreign manufacturers for certain components in its "strategic industries".[18] As elsewhere, such dilemmas revolve around questions of choice of location for investments, profits, jobs and, not inconceivably, also questions of national pride and security, and not least technology transfer. It would then seem that such concerns, which are legitimate in themselves, have been confused with the general aversion to larger defence budgets in Asia. Thus, the alarm is raised that it is a bad idea to allow East Asia's miracle economies to supply these components, because then they would be arming themselves with high-technology weaponry.

Some Problematics

From the beginning, there was never any satisfactory international formula for calculating a country's defence "sufficiency" — even assuming that any country's national pride, sense of sovereignty and security considerations allowed for foreign intervention in the matter. Typically, each country's defence priorities is taken as a single, undifferentiated, non-segmented factor; in reality, the different sectors have various interlocking relationships — each with its own priorities, perceived needs, and vested interests. More sophisticated analyses would need to examine not only these connections, but also each sector internally in microcosm.[19] This would demand more time and effort in aiming at a conclusion, but any lesser conclusion might be useless — or worse, misleading. None of the current crop of alarmist reports appears to have ventured anywhere near such sophistication.

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Nonetheless, the case for across-the-board defence expenditure cuts remains a vocal one. However, it is a case hitherto founded on poor analysis and a gut-centred emotionalism. As a cause, it is instinctual and may be popular because it presents the highly plausible argument that public spending on alternative (productive or sociable) goods and services yields better social returns. Defence spending, it is felt, does not represent the greater good for the greater number; or rather, alternative spending would afford more tangible, more widely visible, and more immediately realizable public welfare.

Such presumptions are, however, discomfited by actual research in the field. Virtually all research studies undertaken on the matter do not support a presumed trade-off between defence and other forms of public expenditure.[20] Such presumptions often lead to sterile and tautological arguments. Excessive defence expenditure may well compromise the performance and content of public welfare delivery systems, but the linkage seems tenuous and ill-defined. The importance of this subject does not deserve such tentativeness, however, so that the only rational corollary is simply that more and better research on such linkage is needed.

Furthermore, despite the impression that it is investment that suffers more than even welfare expenditure from higher military spending,[21] more research is also needed on relating employment to arms expenditure. (Typically, more than 50 per cent of defence budgets is allocated to other than arms purchases.) The research required should not dwell on macro-economic data alone, but also draw on disaggregated data for more meaningful insights.[22]

This predicament, however, should not lead socially conscious, politically correct, anti-militarist advocates to reject research altogether, much less to wallow in emotionalism, but to pursue more rigorous and sophisticated studies in the field, wherever the conclusions might lead. There is a need not only for country studies and better intra-country (inter-sectoral) studies, but also for comparative studies between different countries, or cross-sectional studies of two or more countries.

A classic example of misleading analysis lies in the popular assumption that China today is aiming for both economic and military development. But few reports acknowledge the continual cuts in the size of the People's Liberation Army (PLA). Yet, these cuts in themselves need not signify a more settled or peaceable China; rather, it is sometimes argued that Beijing intends to redesign a leaner, more efficient PLA.[23] The lack of adequate data all-round makes for a lack of credibility in the arguments, but not in the number, range, frequency or shrillness of the arguments themselves.

For example, China is frequently cited as irredentist or worse, and recently as enlarging a defence budget constituting a bigger proportion

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of an enlarged GNP.[24] The first presumption is debatable, and the second can be interpreted either way quite inconclusively. At the same time, offshore territorial claims are acknowledged to be "perfectly natural".[25] If so, then they cannot be irrational; and even if China is bent on both military and economic growth, and *if* it is irredentist and intent on pursuing claims on disputed territory (not unlike several other states), China still need not be irrational, unreasonable, expansionist or aggressive.

Given that warlike states are characterized by a leadership given to irrationalism, unreasonableness, expansionism and aggression — whatever their economic or military standing — there is little on which to base presumptions of a "China threat". The same applies to any perceived "threat" in the region as a whole.

Beijing may no longer be useful to the North Atlantic community as a buffer against the Soviet Union, but this need not imply that there should now be a buffer against China. The inappropriateness of Western security perspectives for East Asia is patently and increasingly clear. The differences were occasionally evident during the Cold War, such as at times during the Vietnam War and later Cambodia, and these differences are becoming more pronounced following the collapse of the Soviet Union.[26] It appears likely to be a growing trend, particularly if issues such as defence budgets in a booming East Asia are summarily to become a problem for Western strategists and arms regulators.

As elsewhere, incomplete information is often misleading. Nervous China watchers might point to the 1994 defence budget of 52 billion yuan as a high 22 per cent increase over the 1993 allocation. However, Beijing unified its currency exchange rates in January, devaluing the yuan by 33 per cent against major currencies.[27] The result was a more modest defence outlay for 1994.

A simplistic realism in calculating threat potential from defence expenditure can be stretched beyond the bounds of the credible imagination. This school of analysis is encouraged and caricatured by earlier luminaries like L.F. Richardson (in the seminal *Statistics of Deadly Quarrels*). The stylized and over-formalistic approach to equating defence spending is sometimes expressed in the formula:[28]

$$DF = f(OI, E, P, IR)$$

where DF represents defence expenditure, OI own inertia, E economic factors, P political factors, and IR international relations.

Apart from all the limitations of such an abbreviated formula, it is worth noting that even here, the "arms race" component as a motivating factor of defence spending involves only the last factor, IR. Even so, IR covers a range of other factors arising from inter-state relations and their

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perceptions. Any arms race element in defence budgeting is only part of a crude estimate in a sea of complex and interdependent forces, factors and vectors.

Increased defence budgets do not necessarily indicate increased arms purchases. Arms purchases in themselves do not signify offensive acquisitions. And offensive acquisitions need not represent any impending hostility. In the Asia–Pacific region, few if any defence budgets have seen increases greater than what their growing economies would bear, more extensive than what sovereign states in a maturing region would expect, or in excess of what the obsolete equipment of ageing defence forces would require for the twenty-first century.

One problem with reading too much into assumed increases in defence budgets is that other reasons for any increases are ignored, or under-rated. And a danger in doing this is to talk a country or region into considering more offensive acquisitions or postures. When the worst is assumed of a state, or when reasons are assembled for (assumed) hostile intentions on the part of that state, it may well find that assumed rationale worth exploring.

A supposed regionwide arms build-up, or arms race, in the Asia-Pacific (or elsewhere) may be more perceived than real. It is important to distinguish between (disaggregated) national defence plans and aggregate regional spending. The first is essential to proper analysis (of national intentions), while the second is an artificial category that assumes a regional commonality on the subject.

Any real build-up requires, among other things, a regionwide consistency owing to causes unique to the region itself. An arms race requires even more specific conditions, among them a reciprocal relationship between two or more states that is mutually reinforcing in arms acquisitions, with no other causes adequate to rationalize the self-enhancing competition other than the reciprocity between them, for reasons of prestige, fear, or countervailing power (deterrence).

The classic case of an arms race is the superpower tussle during the Cold War. Even there, the "arms race" element was typified largely in nuclear armaments, and even then only between their respective stockpiles of *strategic* nuclear weapons. Tactical nuclear weapons applied more to the European theatre, and because of the diversity of states on the continent, they figured less clearly in a bipolar arms race context. The situation in a more diverse and developing region like the Asia–Pacific is far more complex, rendered even more so by the strong and decisive economic forces that are currently at play.

However, individual states may have — to them, at least — legitimate reasons for enhanced defence budgets. Meanwhile, some quarters seem

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ready to pounce on the phenomenon and pronounce it improper or dangerous. Among the more common reasons are:[29]

- despite the figures, arms purchases are still relatively small (typically, for tactical rather than strategic purposes), precisely because of budget constraints; ironically, when viewed transcontinentally, these types of weapons or equipment may be interpreted as being aimed at potential enemies in the vicinity (region) rather than further afield;
- the transformation of national strategic doctrines from a counter-insurgency warfare, to a more conventional, posture;[30]
- the growth in national economies, affording larger allocations to all public sectors, including defence;
- increases in the salaries, allowances, and other entitlements of armed forces personnel, that is, in expenses other than arms or offensive weaponry.

There are other cost contingencies that contribute to enlarged defence budgets. Equipment and other expenditure of the same class may cost more from year to year, owing to increased production costs or inflation more generally.

Non-offensive defence or policing priorities might have been starved of funds before, so that a healthy economy occasions more expenditure in these areas. This especially applies where there are non-military or quasi-military needs to be met: to check smuggling, piracy, fishing trespass, illegal migration, or mineral prospecting by rival claimants in disputed territory, such as in parts of the South China Sea.

The search for better technology transfer by the purchasing country may take the form of reverse engineering, or training and supply as part of the overall package. While much of the technology may be for military purposes only, there may also be gains for civilian sectors like transportation.

Costly defence packages are always attractive as a channel for corruption or kickbacks, which are universal phenomena. They are independent of political ideology, national priorities, level of economic development or military intentions. In more legitimate terms, these are expressed as sales commissions. Where deals are less legitimate, the greater the sums involved, the greater the opportunities and the attraction. The greater the sums involved or the degree of illegality, the lesser the transparency; such lack of transparency in these matters, however, should not be assumed to hide hostile intentions.

There is also the question of national prestige — the greater the national pride, the more amenable is the state to larger, costlier, and more spectacular arms acquisition programmes. Essentially, prestige is a harmless factor in increased arms budgets. But it may trigger or

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exacerbate an arms race, thereby creating misunderstanding, suspicions and perceived threats.

There may, of course, be the genuine possibility of an external threat, whether merely perceived or reliably verified. Alternatively, a state may simply be pre-empting an anticipated arms control regime, so that it will want to buy when it can still freely do so. A combination of a regional threat and an impending arms control regime (whether real or perceived) would further induce states to buy more, and more quickly.

On occasion, there may be bankrupt states anxious to sell off their military goods at bargain prices. The collapse of the Soviet Union and the Eastern bloc has inspired some enthusiastic purchases, among them 18 MiG-29s by Malaysia and 39 East German naval vessels by Indonesia. In such circumstances, there is often an exacerbating factor in a greater push by rival manufacturers — as witnessed by the anxious sale of US F/A-18s simultaneously to Malaysia.

Furthermore, arms acquisitions have an endogenous (intra-state) logic of their own. This takes the form of sustaining the political viability of the state regime, affirming the independence or sovereignty of the state (particularly in relation to any externally induced arms control regime), and especially when military power itself is conceived of as "a source of nation-state building".[31] While the first two purposes are typical of authoritarian states, the third is characteristic of developing nations generally.

None of these reasons for enlarged arms budgets need imply any hostile or other nefarious designs; they merely justify a state's enlarged defence budget allocation. Commonly, their only drawbacks are that they may trigger a regional arms race (a reasoning which is tenuous on the ground), and that they may reduce available public funds for more socially-oriented purposes (a connection that is not supported by most of the research literature).

Some Regional Realities

For Southeast Asia, in particular, the switch from a largely counter-insurgency warfare, to a more conventional defence, posture may be interpreted as a complement to self-reliance and non-alignment. This can typically be said for the ASEAN states.[32] Correspondingly, increased defence budgets necessitated by a switch in security doctrine represents an affirmation of the requisite qualities of mature nationhood, if not also for peaceful and co-operative inter-state relations.

In *realpolitik*, it is common knowledge that while an adequate defence force has less use for diplomacy in maintaining or furthering state interests, a weak diplomacy cannot do without an adequate defence force. Certainly,

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this becomes particularly pertinent where non-alignment and self-reliance are to hold, as they still should. This applies regardless of any reference points such as the "Cold War".

The overall purpose of a defence force, other than for "defensive defence", would seem to be particularly pronounced among developing nations. This is not because these states are prone to belligerence; on the contrary, most of the reasons for enhancing the armed forces — whether justified or not — pertain to non-belligerent objectives, including notions of nation-building.[33]

Besides the relationship between defence forces and modern nation-building, it should be remembered that the East Asian portion of the Asia–Pacific region, unlike the North American portion, is still undergoing political transformation. Even as a regional leader in development and a member of the Organization for Economic Co-operation and Development (OECD) and the Group of Seven industrialized countries (G-7), Japan is still in the midst of fundamental political reform. Change is also evident in China, Taiwan, the Koreas, and the nations of Southeast Asia (ASEAN and Indochina, including Myanmar).

The implications of a growing defence infrastructure need not be negative, however. The creation of support structures for a state's armed forces, it is found, has civilianized the domestic political administration — as happened earlier in Western Europe.[34] There is no reason why this should not also happen — or is not already happening — in East Asia, given closer linkages across the Pacific and a judicious application of arms control norms.

There are even some, if rare, acknowledgements of the benefits of increased defence expenditures in this region. In this way, Singapore has been cited as having achieved better national security *and* improved relations with its neighbours.[35] Presumably, that logic applies equally to its neighbours. There would seem to be no simple formula to equate larger military outlays with deteriorating inter-state relations, whichever comes first.

Furthermore, it is worth noting that in many of the military acquisitions, budgeting is still decisive. This explains the purchase of ex-Soviet and East European hardware, despite their general lack of sophistication and reliability in after-sales service. It also explains why Malaysia gave priority to frigates, offshore patrol vessels and (replacement) jets over submarines. The significance of Malaysia's purchase of MiG-29s and F/A-18s was not so much the simultaneous purchase of both, but that Malaysia got the best conceivable deal from each in this way.

A fundamental flaw in current concerns by Western states (as distinct from Western non-governmental organizations) over the development or

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deployment of arms in East Asia is that they turn their own gospel of deterrence on its head. These were the states that not so long ago took on the Soviet Union and the Eastern bloc in the world's most delirious arms race, a lethal global competition where the fundamental principle was simply that more arms equal better security. The Soviet Union and the Eastern bloc are no more, but that fact in itself does not negate deterrence theory, much less invert it — assuming that deterrence as a theory held at all during the Cold War.

For the superpowers and their allies, deterrence was not only a hallowed theory but an axiomatic truth, one that held the power of life and death over countless millions. Given that the vast majority of states in East Asia, or the Asia–Pacific, are not even considering the nuclear option, the current alarm over conventional arms purchases makes little sense. Could not these countries with enhanced defence budgets be thinking of enhanced security also, and are they not entitled to do so?

The two "most likely flashpoints" in the region, as popular parlance would have it, are the Spratly archipelago and the Korean peninsula. Yet nobody is relating China's nuclear capability to its Spratly claim (as additional leverage for that claim), even when Beijing is the only nuclear power among the six claimants.

Even Pyongyang's suspected nuclear weapons programme is still more in the realm of suspicion and supposition than a stated fact. Strategically, it does not make sense to radioactively contaminate South Korea with a nuclear attack before Pyongyang launches a land-based push across the DMZ (demilitarized zone) — assuming the worst, as some do, that Pyongyang seeks to take South Korea at all, by force or otherwise. Politically, it does not make sense to contaminate South Korea at all, much less annihilate it, given the prospect of eventual reunification.

The same applies to North Korea's position on Japan. Neither Pyongyang nor a reunified Korea can take or pressure Japan with force — even assuming the worst, that any Korean would want to. Instead, it is abundantly clear that peaceable economic relations work best for all. This is even more true for relations with China.

Generally, "four conditions have been identified as necessary for deterrence to function predictably".[36] (Presumably, if all four conditions are not met, deterrence might still function, though not predictably.) These conditions are:

— rational leaderships;
— a degree of mutual understanding and communication;
— the threatened sanction to be communicated effectively;
— some plausibility to the threatened sanction.

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All of these conditions apply in the Asia–Pacific today. Despite occasional appearances, they applied to the North Korea of Kim Il-Sung, and they conceivably apply to the North Korea of Kim Jong-Il. Speculation on the latter's irrationality is as much rumour, conjecture or disinformation as anything more credible. What characterizes foreign — in particular, U.S. — relations with North Korea is not the certainty of irrationality in Pyongyang's leaders, but the very uncertainty of such assumptions and claims. (The son was first said not to succeed his father, then the succession was said to be destabilizing, and then the assumed instability was said to set in only twelve months after the father's death; all have been proven wrong.) In such circumstances, speculation replaces and then compounds the lack of reliable information.

Asian leaders are noted for their sense of pragmatism, regardless of ideology. Even China's offshore claims to disputed islands, however extravagant to some, can still be regarded abroad as "perfectly natural".[37] And so long as scheduled arms talks in the region continue, there should be a degree of understanding and communication, if not also of accommodation.

Any claims over the region's defence expenditure would thus seem quite misplaced. If North Korea is considering the nuclear option, this could be the cut-price alternative to deter the combination of South Korean and American forces ranged against it to the south. Nuclear weapons as a "poor man's answer" to more extensive and sophisticated conventional forces certainly accords with Pyongyang's austerity.

However, the near-hysteria originating largely from Western quarters over North Korea's suspected nuclear arms cache has obscured other possibilities. For example, it may be that Pyongyang does not possess a single nuclear weapon, and is unlikely to do so in the foreseeable future; that it has deliberately led the United States and others into suspecting that it does is a form of deterrence in itself.[38]

Certainly, a trail of hints pointing to North Korea's plausible possession of the bomb was laid for international detection over a period of time, duly establishing the suspicion abroad. Pyongyang's political gain is to be able to talk on equal terms with the United States, rather than just with South Korea. By implication, this would then mean that North Korea would be regarded by even the United States as a regime to be reckoned with, and therefore a state in its own right — a prospect deriving from a diplomatic and propaganda coup, serving the particular interest of domestic political legitimacy. The suspicion of nuclearism-as-deterrence, which doubles as a political ploy, is admirably suited to a closed society like North Korea. If this is so, Pyongyang may not even plan or intend to possess any nuclear weapons.

The doctrine of nuclear deterrence should thus be extended to include

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not only the possession and deployment of nuclear weapons, but also their suspected possession. It is argued that in the real world, the design and production of arms are equivalent to the deployment of the arms themselves.[39] The case of suspected possession as deterrence may be called "perceived existential deterrence", or the PED theory of deterrence. If nuclear weapons are the poor man's alternative, PED is *really* the poor man's alternative. In lean times, Pyongyang may well have found PED extremely economical.

In a stroke of hyperbole, former U.S. Defence Secretary Robert McNamara declared that nuclear weapons "serve no military purpose whatsoever," that "they are totally useless — except only to deter one's opponent from using them". If they are at least *almost* totally useless, then their value as deterrence applies. However, their development, stockpile and maintenance still cost money and require special expertise, and are risky.

PED is the better option; it is cheap, safe, and requires no real technology. Strangely, few countries (at least those with closed societies) seem to have opted for it. Still, there are theorists who would propose that all states tend towards nuclearism, and those that do not yet possess nuclear weapons are simply in a waiting period pending the means to acquire them.[40] The supposition that nuclearism is a necessary, if unpleasant, stage of development for states, not unlike a difficult adolescence, is not only patronising, elitist and narrowly realist, but also unrealistically so. Such determinism does not sit well anywhere in the Asia–Pacific region other than possibly the Korean peninsula, and even there the PED alternative may be the one currently pursued by North Korea.

Japan's populace is psychologically and emotionally averse to nuclear weaponry, so that any government there will lose immense political capital simply by considering it. There is also no need for Tokyo to struggle over the nuclear issue when Japan has the requisite means (funds and technology) to embark on space-based defence systems that are clean, safe and politically acceptable — and clearly defensive, while being technologically leaps ahead of state-of-the-art nuclear arms. By the early twenty-first century, if not before, nuclear weapons might be seen widely as the crude weapon of the past that it is already becoming.

Notions of a China threat may have stemmed not from its nuclear stockpile, but from China's dimensions, its presumed feudal overlordship of a region, its growing influence, the tenacity of its territorial claims (an unlikely factor), and the regional spread of the Chinese diaspora (a delusionary cause). China has never required a nuclear option to express its preferences, exercise its whims, and even exert intimations of a foreboding; and Beijing will not require nuclear weapons for anything if it can do all

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these without them, which it can. Even though China is evidently the only country in East Asia to possess a nuclear capability, nuclearism is quite irrelevant to China and the region.

The point concerning Beijing's nuclear arsenal not figuring in any country's threat perception of China well illustrates the case of China not really being perceived as a military threat at all. Nuclear armaments, as classic weapons of mass destruction, epitomise the threat potential of a state towards other states. This was exemplified in, for example, the nuclear arms race between the superpowers during the Cold War — and even today, the status of the United States as a superpower and Russia's "threat capacity" towards other states are still measured on a nuclear calculus. The fact that Beijing's position as the only nuclear power in East Asia does not even enter into any threat perception of states about China demonstrates that assertions of a "China threat" centring on its military force modernization or supposed "blue water navy" ambitions are quite groundless.

Despite much recent speculation about an "expanding Chinese military presence" and the PRC's "blue-water navy capabilities", the People's Liberation Army remains under-equipped both quantitatively and qualitatively across its service arms. The PLA has embarked on what is at most a very relative modernization programme, even as it proceeds with further downsizing. It is symptomatic of China's recognition of its own military inadequacy, and an acknowledgement of its own preference for the regional status quo, that it would rather the U.S. military presence remain in the Asia–Pacific region.[41]

ASEAN, now aiming to incorporate the states of Indochina, is working on a Southeast Asian Nuclear Weapons-Free Zone (SEANWFZ). The idea of such zones is for each to enlarge individually and link up collectively when they overlap, creating ever-larger nuclear-free territories. Already, there have been proposals for a denuclearization of the Korean peninsula. New Zealand rejects the nuclear option in a non-partisan spirit, and Australia approximates that position since it has no nuclear interests of its own, other than its military relationship with a nuclear-capable U.S. Pacific Fleet.

The only foreign nuclear (military) presence in regional waters is the U.S. Pacific Fleet, and its nuclear capability was never a problem for the region — except for New Zealand, and possibly for the proposed SEANWFZ. In sum, nuclear weapons are not really an issue for the Asia–Pacific, and certainly not in the way it was — or still is — for a Europe and a North America either still smarting from the pangs of the Cold War, or gloating over the sudden collapse of the "enemy".

In the final analysis, the trajectory of defence expenditures should be

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judged from their results rather than from any of their presumed implications. Its negative aspects are frequently assumed and overplayed to the extent of a clichéd partiality, such as in aggravating the threat perceptions of other states and the opportunity costs that are lost domestically. Equally important, an adequately secure state offers added appeal for foreign investment and business confidence generally, and is also one that can afford to contribute more to regional security. The former applies to developing states in particular, where political instability typically acts as a brake on development. The latter particularly applies in a fraternal and peaceful region, and is further underscored where regional organizations like ASEAN have proven successful.

Conclusion

Clearly, there are some expected, and unexpected, findings on the subject of nuclear armaments or militarism in the Asia–Pacific. Research generally has found that military governments spend more on defence than do civilian ones, and weak democratic governments also spend more than do strong ones. Furthermore, as research on Latin America demonstrates,[42] public expenditure on the police share of the security budget varies in direct proportion with the level of poverty.

It appears that the priority given to the repressive apparatus of state — whether in the form of military or police forces — is a function of the endogenous political, economic or social conditions of the state. (In theory, Costa Rica does not possess a military force, but has a militia that performs much the same kind of role, blurring the distinctions between military and police.) It seems that in the developing world, in particular, the criteria for defence allocations stem more from internal rather than external factors. This tendency additionally mitigates any question of a drift towards an extra-regional phenomenon like an arms race.

Other findings might seem more surprising, or even unsettling. There is little or no trade-off in public spending between defence allocations and expenditure on health and education.[43] In most countries, each public sector competes for state funds based on its own lobbying mechanism, so that no simple trade-off can be assumed between sectors. However, more conclusive research on such linkage is required before verifiable certainties can be established.

Any increases in national arms budgets in the Asia–Pacific are also neither consistent nor predictable, nor are they integrated across the region. There is no arms race in the Pacific, since a race has to be based on an integrated system by which two or more states are locked into a

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reciprocal relationship of mutually reinforcing arms acquisitions. Moreover, nuclearism is not an issue in the Pacific, and certainly not in the way some are inclined or prefer to see it.

Refurbishing defence systems in itself is not necessarily a negative option. In Southeast Asia at least, it has been found to work in tandem with diplomacy to affirm self-reliance and non-alignment. This could apply to the wider Asia–Pacific, or even farther afield. Already, experience from the developing world has shown that defence renovations can be a legitimate part of contemporary nation-building efforts. And such efforts might include any one of several endogenous objectives like a conversion of security doctrine.

Where defence expenditure does increase, this is not necessarily a problem in itself. It has been argued that even for Japan, a country that had demonstrated an excess of military adventurism, increases in arms expenditure need not be equated with inordinate aggrandizement or any renewed sense of *Lebensraum*.[44] If Japan can say this for itself, so might China and others say the same for themselves.

However, in terms of positive social action, efforts to build regional confidence and trust should constantly be emphasized. Besides limits to arms proliferation, transparency in strategic planning is also important. These goals are too vital to be left entirely to governments. There is a need everywhere to cultivate non-state actors, typically non-governmental organisations, as active contributors to a cumulative process. Among the necessary tasks are improved relations between peoples, as much as between sectors and between states, a multi-layered confidence-building framework, joint projects development, identifying common interests, and creating or enlarging shared stakes.

Whether the fledgling ASEAN Regional Forum can fulfil such tasks as are required of it, remains to be seen. Among many other things, it may need to articulate a more pertinent framework for security and arms control that is clearly indigenous to the region. ASEAN itself is a confidence- and security-building measure, particularly given its concept of "resilience", a style of accommodation by which individual states in the region are co-opted into the communal norm for the collective good, largely through non-formalistic consultation and consensus.[45]

Whether or not there is a trade-off between defence and social expenditure, increased arms spending in peacetime does not appear to confer any direct or specific social good. Unlike investments in productive industry, it does not provide constant gainful returns. Increased defence expenditure could affect investment adversely more than it affects other forms of public expenditure. Nuclearism is a futile dead-end, with little future today even for superpowers. However, better research data and

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management are needed before trenchant positions against increased defence expenditure can advance beyond what is still essentially rhetoric.

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    While Japan's post-war Constitution in effect limited defence expenditure to one per cent of GNP, the spirit of this ceiling was breached by former Prime Minister Yasuhiro Nakasone, a point over which a debate in Japan has ensued since.

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BUNN NAGARA is a Senior Analyst at the Institute of Strategic and International Studies (ISIS) Malaysia.

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A Further Look at UNTAC's Performance and Dilemmas: A Review Article

SORPONG PEOU

***U.N. Peacekeeping in Cambodia: UNTAC's Civil Mandate*. By Doyle W. Michael**. Boulder, Colorado: Lynne Rienner Publishers, Inc. 1995. 117 pp.

***The Peace Process in Cambodia*. By Frank Frost**. Australia: Centre for the Study of Australia-Asia Relations, Faculty of Asian and International Studies, Australia-Asia Papers No. 69, October 1993. 61 pp.

***International Peace Keeping: Building on the Cambodian Experience*. Edited by Hugh Smith**. Australia: Australian Defence Studies Centre, 1994. 252 pp.

Since the end of the Cold War, the United Nations (UN) has been kept busy. Neo-liberal institutionalism as a theory of international relations has since come to the fore of global politics as the United Nations continues to work its way towards regaining its status as the true global player that could affect change in the area of international peace and security. By the end of 1994, the UN had deployed 75,000 "blue helmets" from more than seventy countries in seventeen simultaneous peacekeeping, or observing, missions covering five regions of the world (Latin America, Eastern Europe, the Middle East, Africa and Southeast Asia) at a cost of no less than US$4 billion a year, and of no fewer than 1,200 "blue helmets" lives.

One of the UN's post-Cold War peace missions was UNTAC (the United Nations Transitional Authority in Cambodia), which was endorsed by the four warring Cambodian factions (the Khmer Peoples' National Liberation Front or KPNLF, the FUNCINPEC or the Royalist Group, the State of

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Cambodia or SOC, and the Khmer Rouge). The most critical issue that confronted UNTAC was whether it had made, or could have made, a difference.

When the UN Security Council's Permanent Five (P-5) members were involved in "quiet diplomacy" throughout 1990 in their efforts to hammer out their differences over Cambodia, many Cambodia scholars protested against a UN role in the country. Cultural institutionalists saw no merit in such a risky adventure: the UN venturing into a world where no fertile ground for the seeds of liberal democracy was on tap. Legalists shared the same pessimism, albeit for different reasons. Their arguments were clear and simple: the mission was bound to fail; they chastised the UN and charged it with dancing to the Khmer Rouge's tune. With the "genocidal" faction included in the peace process, the argument went, peace and democracy were not on the cards. Yet, as will be seen, Frank Frost, Michael Doyle and the contributors to Hugh Smith's edited volume have highlighted UNTAC's "qualified" success. It is very difficult, if not impossible, to tackle all the theoretical or conceptual issues of UNTAC at the operational level. Nonetheless, a review of the three books on UNTAC's role (from November 1991 to September 1993) may serve some useful purpose.

UNTAC in Cambodia's Messy Domestic Conditions

Frost's study should be of great interest to those unfamiliar with Cambodia because he has taken a detailed look at the domestic conditions faced by UNTAC during the transitional period. Frost was under no illusion that the mission would get this war-torn country out of the many dilemmas that have existed for decades. Painting a grim picture of Cambodia in his assessment of its socio-economic and political developments, he presents the following arguments: the UN-sponsored peace process effected some positive change, especially at the international level. In Southeast Asia as a whole, there was "substantial progress". The extra- and intra-regional powers involved directly or indirectly in the Cambodian war agreed to reduce tension. Both China and Vietnam began to modify their stance towards each other in "their process of cautious dètente". The United States became less antagonistic towards the Indochinese states as it agreed to end the "economic embargo on Cambodia" and "has taken substantial steps towards further contacts with Vietnam" (p. 1). Furthermore, relations among states within the region have gained some momentum as the ASEAN states and those within Indochina continued to expand their political and economic relations.

While Frost recognizes some dramatic positive changes at the global

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and regional levels, he seems to suggest that this was not the case at the domestic level. Post-UN Cambodia is still faced with "substantial problems". Although UNTAC succeeded in holding elections in May 1993 with nearly 90 per cent of the registered voters going to the polls, there is no guarantee that "these elections will serve as the first step in a process which will lead to the creation of a new political order capable of promoting domestic reconstruction and stability and a secure regional and international position for Cambodia" (p. 1).

Underlying Frost's study was that Cambodia remained a "tough nut to crack" and that UNTAC faced a series of socio-economic and political challenges. His description of these problems (in Part 3 of his study, pp. 12–35) is, in the following order: the Cambodian factions' continuing competition and conflict, Sihanouk's role, economic poverty and recovery (issues and dilemmas), the resettlement programme, and Cambodia's foreign relations. In Frost's view, the Cambodian factions, especially the State of Cambodia (SOC) or the Cambodian People's Party (CPP) and the Khmer Rouge, continued their suspicions and hostilities throughout the transitional period. As he put it: "The struggle among the factions for power posed major problems for UNTAC in trying to contain and reduce violent competition while preparing the way for the planned elections" (p. 12).

In socio-economic terms, the UN faced enormous problems. Cambodia was one of the world's poorest nations. The SOC/CPP ran into a budget crisis. Cambodia lacked "administrative procedures to facilitate aid transfers and the impact of continuing factional conflict in delaying the transmission of aid into the country". "The net result of these problems was a deteriorating economic situation which damaged the socio-economic environment of the peace process" (p. 25). In addition to this was the social crisis faced by the UN in trying to reintegrate more than 350,000 Cambodian refugees from camps near, and on, the Thai border. Despite some difficulties, the repatriation efforts proved successful.

The problems were compounded by Cambodia's neighbours' alleged continued interference in its affairs. On the western border, Thai business linkages with the Khmer Rouge and Thailand's support for the faction were reasons why it did not comply with the UN. As Frost put it: "These arrangements effectively placed Thai interests in the position in their on-going struggle for influence in Cambodia" (p. 31). Continuing Vietnamese interference in Cambodian affairs (alleged by some Cambodian factions) and Vietnamese immigration also posed serious problems for Cambodia.

Frost's description of Cambodia's socio-economic and political problems facing UNTAC offers some food for thought to both scholars and policy-makers. The lesson is clear: any attempt at peace-making, peace-keeping

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and peace-building within a war-torn society would have to take into account the various obstacles that will inevitably emerge.

Even though Frost's descriptive study is informative, it is less than satisfactory both in terms of organization of thoughts and in a theoretical context. Had he structured his thinking more carefully or systematically, he would have made his study much clearer and more salient. For instance, if the factions' suspicions and hostilities were the most serious obstacle to the peace process, he should have discussed it in greater detail after (*and not before*) he identified other less serious issues and dilemmas. In another instance, although it is useful to some interested individuals, his description of the Australian role seems irrelevant and parochial.

His socio-economic and political approach requires further serious systematic thinking. Besides merely describing the various problems, he does not offer any logical explanation as to why domestic problems continued to the degree that they did. First, it is not clear whether or not Sihanouk's political role was relevant to the peace process, albeit Frost gives some attention to the Prince's role. Was Sihanouk a helping hand or a hindrance to the peace process? Or was he irrelevant? Secondly, Frost does not explain *why* the Cambodian factions, particularly the Khmer Rouge, did not co-operate fully with UNTAC. The concept of power struggle is never properly defined and adequately explained.

UNTAC's Performance: Problems From Within

Some of the pieces of the Cambodian puzzle missing in Frost's study can be found in Hugh Smith's and Michael Doyle's books. Smith's book is worth reading partly because it is a collection of papers (originally delivered in Canberra on 2–4 May 1994) by many individuals who had hands-on experience in the subject matter and partly because they are generally frank in their re-evaluation of UNTAC's work. Some of them are even internationally known for their close involvement. For instance, Lieutenant-General John Sanderson, UNTAC's Military Chief, wrote the introduction and Chapter 2; and Australian Foreign Minister Gareth Evans, who was active in the Cambodian process, contributed Chapter 1.

As General Sanderson points out in his chapter, the problems facing Cambodia during the transitional period was not simply about the Khmer Rouge being worse than the lunatic fringe. In acknowledging the problems in the implementation process of the Cambodia agreement, he notes: "There [was] a tendency to blame the Khmer Rouge for initiating breaches of the peace process and their historical baggage" (p. 18). Perhaps the most balanced of all the arguments on Cambodia in the book, Sanderson's analysis recognizes some important conceptual issues, such as the use and

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deployment of force, and neutrality. His emphasis on the need to maintain neutrality in peacekeeping is conceptually sound simply because, in my view, piling up the blame on the Khmer Rouge for everything that went wrong was not only misleading but also left the faction with only Hobson's choice.

Despite their acknowledgment of the UN's overall success in Cambodia, other contributors shed light on the difficulties involved in the UNTAC mission at the operational or technical levels. In Chapter 3, Michael Maley outlines "how the elections were established and conducted from a practical point of view" (p. 33). Problems such as the slow deployment of UNTAC personnel, inadequate manpower, administrative efficiency, and cultural and language barriers are briefly discussed. Lyndall McLean's contribution in Chapter 4 is also interesting because he takes a close look at civil administration in transition. Again, although UNTAC was a success story, the civil administrative component did not fare well. In her view, "the mandate was unrealistic, overly ambitious and some aspects were clearly unachievable. The problems that began with a lack of planning were exacerbated by a lack of resources" (p. 56).

Both Chapters 5 and 6 are equally interesting: they deal with matters concerning the UN police which are not normally well understood by the general public. Chris Eaton looks at the UNTAC Police component, which was blamed for its lack of discipline. In his view, "too many people employed as United Nations Civilian Police are not in fact police at all" (pp. 60–61). They are not normal community police, but "para-military militia, border-guards or simply military police". In this context, they were not equipped to do their jobs effectively. In Cambodia, the UN police "had none of the tools that underpin[ned] their role in their domestic country: no laws, no justice administration, no courts and no jails" (p. 61). The UN police's problems were further amplified by Mark Plunkett (in Chapter 6) who argues that, for all the difficulties involved, "the mechanisms for the facilitation of justice through domestic legal systems are fundamentally matters for UN transitional authorities" (p. 65).

The most interesting chapter on Cambodia in Smith's book is that contributed by Michael Doyle. Since the third study under review is also by Doyle, it will be more useful to take a closer look at his book rather than his chapter (with the same arguments). Of all the three studies under review, Doyle's is certainly the most useful because his analysis is based on the assumption that failed, or failing, states in the Third World can be rescued by the UN. As a liberal-institutionalist scholar, he has done a wonderful job in identifying the problems that the UN faced during the transitional period and in making recommendations for future peace missions. One of his concluding remarks is very telling: ". . . the challenges

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today's peacekeepers face will be lessened if the diplomats and officials give them politically well-designed mandates to implement the very trying circumstances the peacekeepers will discover in those parts of the world most in need of their services" (p. 88).

Doyle is, of course, interested in the question why the UNTAC mission failed in some areas and succeeded in others. In his enquiry, he attempts to measure successes as well as failures and to identify their sources. In Chapter 4, the successes enumerated were as follows: (1) *self-determination* (in the sense that Cambodia enjoyed, for the first time, the "prospect of true independence from the control of any foreign power"; (2) the UNTAC presence "signalled the end of full-scale war"; (3) the peaceful repatriation of more than 370,000 refugees; and, (4) the UN managed to hold the planned elections. Doyle sees two major areas of failure: "failure to achieve a cease-fire and then canton, demobilize, and disarm [70% of] the [Cambodian] military forces"; and "UNTAC's inability to achieve control over civil administration and prevent breakdowns in law and order and political neutrality" (pp. 32–34).

In terms of sources of success and failure, Doyle divides his explanation into three parts: (1) contributing factors (slow deployment of UNTAC personnel, insufficient planning, discontinuity between the development of the peace plan and its implementation, NGOs' role, a level of poor staff quality and some simple administrative problems); (2) determinants (local support, international support, a multidimensional mandate); and, (3) accounting for variance. The last part of his explanation is inspired by the question why some specific areas of the UNTAC operation succeeded while others failed. His answer is as follows: although there are many causes of the differential success of the UNTAC components, "the simplest and seemingly most powerful explanation focuses on the unwillingness of the parties to cooperate and UNTAC's decision not to attempt to enforce the mandate" (p. 66).

Perhaps the most intriguing part of Doyle's study is his prescription for enhancing the adversaries' consent to the UN. His analysis offers some good leads, pointing to the fact that the UN could have done a better job. UNTAC succeeded in part because of international support, especially from the UN Security Council's Permanent Five. The P-5 were able to persuade the Cambodian factions to accept their settlement. But the P-5's agreement was not the end of the story. The UN should have been ready to take the next step: It "should be ready to implement the mandate as soon after the peace treaty is signed as is practicable" (p. 83). Furthermore, the UN should develop a strategy to win the hearts and minds of the people and "create (not just enjoy) the support of local forces of order" (p. 83). Doyle then correctly warns against the excessive use of force that

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some hard-nosed realist and legal scholars have proposed: "the UN must avoid the trade-offs between using too much force and too little" (p. 85). On top of peace-making and peace-keeping, the UN's role in peace-building should be aimed not only at changing political behaviour but also at transforming "identities and institutional contexts". As he put it: "More than reforming play in an old game, it changes the game" (p. 86).

All in all, Doyle's liberal institutionalist analysis of UNTAC is not only informative but also stimulating. Unlike many pessimists who had predicted a gloomy role for UNTAC, he is able to recognize the need for the UN to avoid falling into the same pitfalls. The basis of his analysis rests on his conviction that the UN can come to the rescue of failed or failing states which cannot help themselves. For all the merits worthy of praise in his effort at scholarship, Doyle's work on UNTAC is not without definitive and conceptual difficulties.

Doyle's struggle with what constitutes success and failure is obvious. He recognizes this problem when he writes: "measuring success in complex UN peace operations does not lend itself to simple indicators" (p. 32). It is not clear what his dependent and independent variables are. It would be more helpful if he had defined success and failure in terms of what happened to the peace process and explained why the UN succeeded only to the extent that it did. For instance, he should have defined "success" in relative terms, that is to say, success compared to when (the pre-UN era?), to what (old authoritarian politics?) and to what extent (limitations)? If success is the dependent variable, what exactly is the independent one? Only then can one go on to explain why and how the UN could have worked to acquire the adversaries' consent.

Moreover, Doyle's impressive study is often conceptually problematic. As already pointed out, he uses the terms "contributing factors", "determinants" and "variance" to explain the successes and failures of UNTAC, but there seems to be some confusion as to what determines what. For example, if UNTAC had done a poorer job, would it still have enjoyed the same level of local support? If the answer is "no", why should local support be a determinant of success or failure? To view UNTAC as "merely contributing" rather than "determining" does not fit well into Doyle's call for better strategies on the UN's part. In failing or failed states, it is the UN that has the sole responsibility to make things work.

For all the short-comings the UN mission had, it remains a big puzzle why the Cambodian factions (especially the Phnom Penh regime known as the State of Cambodia and the Khmer Rouge) did not abide by the terms of their agreement. As Gareth Evans describes the comprehensive political settlement to the Cambodian conflict, he touches on a number of important issues, one of which is the fact that all the Cambodian factions

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supported the P-5's negotiated agreement based on the Australian proposal, known as *Cambodia: An Australian Peace Proposal* "Red Book". He explains why Australia (a middle-power) became actively involved in the Cambodia conflict and why everything came together in 1989 and not before. One interesting aspect of this chapter is that middle power diplomacy has been vindicated. Australia, of course, has good reason to be proud of a job relatively well done. But the effective role of "like-minded" middle powers without P-5 agreement, which largely resulted from the collapse of the former Soviet Union, has to be questioned. Moreover, one wonders if Evans' definition of success included Australia's political strategy to exclude the Khmer Rouge from the process of national reconciliation. A close examination of the P-5's foreign policy interests in Cambodia might help us solve part of the Cambodian puzzle.

The P-5 Factor in UNTAC's Operation: Questionable Commitments to Impartiality

While Cambodia's socio-economic and political conditions, and UNTAC's poor performance, must be taken into account when explaining the dilemmas the United Nations faced in Cambodia, it is important to bear in mind that the organization's performance would depend in large part on how its member states (especially the permanent members of the Security Council) are willing and able to finance the UN mission on time and to act in an impartial manner.

Financial Commitments to UNTAC

The P-5 did not have any serious difficulty passing the resolutions pressing the Cambodian signatories, especially the Khmer Rouge, to fulfil their obligations as stipulated by the Peace Agreement and urging the UN Secretary General to implement the Peace Agreement. When it came to their own financial commitments, however, they were decidedly less enthusiastic. Six months after the Agreement was signed, very little money was contributed to the mission. Following the Security Council's Resolutions 668 (1990) of 20 September 1990, 717 (1991) of 16 October 1991, and 718 (1991) of 31 October 1991, the P-5 simply awaited the Secretary General's action. They continued to pass other resolutions pertaining to the UN mission in Cambodia (Resolution 728 [1992] of 8 January 1992, authorizing the expansion of UNAMIC's mandate; and Resolution 745 [1992] of 28 February 1992, approving the Secretary General's 19 February 1992 implementation plan).

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Concerning UNTAC's financial needs, the Security Council's resolution 745 (1992) only reaffirmed its full support for the Peace Agreement, expressed its desire to see the restoration and maintenance of peace in Cambodia, the promotion of national reconciliation, the protection of human rights, and the assurance of the right to self-determination of the Cambodian people through free and fair elections. The resolution also indicated the UN Security Council's strong conviction that free and fair elections were essential to a just and durable settlement of the Cambodian conflict, thereby contributing to regional and international peace and security, and the Council's approval of the UN implementation plan and the establishment of UNTAC. More importantly, the Council urged the UN Secretary General to rapidly deploy UNTAC, for the implementation of the peace plan, as efficiently and cost-effectively as possible. More specifically, when passing Resolution 745 (1992), the P-5 recognized how important it was for the United Nations to have adequate financial resources. They all shared the Secretary General's view that UNTAC must have the full support of the Security Council and should be given adequate financial resources.

While the P-5 talked tough about getting UNTAC into the field, they hesitated about committing themselves to its actual operation. When Resolution 745 (1992) was passed, Russia's remarks about UN expenditures for Cambodia revealed its weak financial commitments to the fragile peace process. Stressing the need to carry out the UNTAC operation as soon as possible, it suggested that it should be done in the most effective and economical manner, and that they expected to see the Secretary General's preliminary calculations of possible UNTAC expenditures substantially reduced. Russia's reluctance to become financially committed to this operation was evidenced by its assertion that the success of UNTAC would "in the last analysis, be determined not by how many 'blue helmets' and other United Nations representatives are sent to Cambodia, [but] by how durable and lasting the process of national reconciliation and agreement in that country will be and by how harmoniously the seeds of respect for democracy and human rights sown there will sprout".

While agreeing with the UN report concerning the Council's full support and adequate financial resources, Britain could only express its hope that the UN would stick to the target date of April or May for the holding of elections. As far as UNTAC's financial needs were concerned, it had only paid or pledged to support humanitarian activities in Cambodia: £2 million pledged for the United Nations High Commissioner for Refugees (UNHCR), an 11 million pledge for humanitarian activities by international organizations in Cambodia over the next three years, and £750,000 given to the World Food Programme to help displaced Cambodian persons.

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France also spoke in terms of how urgent it was to get UNTAC started before the rainy season. Its representative at the Council said, "any delay would be very harmful". He accentuated the need for adequate financial resources to conduct the operation. France should be given credit for its quick action. It was the first among the P-5 to send its personnel (112 in all) to Cambodia in November 1991 as part of UNTAC and made a voluntary contribution to the amount of US$8 million.

Also committed to the rapid deployment of UNTAC, China nevertheless expressed concern about the cost of its field operation. At the Council's meeting on 28 February 1992, the Chinese representative drew particular attention to the need for accomplishing the tasks "in the most economical and effective way". He expressed China's support for the Secretary General's adoption of economic measures on the premise of ensuring the fulfilment of the agreement.

While the United States was also of the opinion that the time had come for UNTAC to be rapidly deployed, it only stated a commitment to making a contribution to the immense cost and scale of the operation. At the same time, it asserted that the efficiency of UNTAC would not only reduce overall costs but would also benefit the UN operation.

In spite of the P-5's total share amounting to about 55 per cent of operational costs (at least US$800 million), they did not act quickly to ensure UNTAC's rapid deployment. By May 1992, UNTAC was still operating on the basis of an advance of US$200 million appropriated by the General Assembly. In short, the problematic deployment of UNTAC personnel definitely limited its overall performance, thereby contributing to cease-fire violations and the abortive disarmament effort. Despite their formal recognition of the UN dilemma in carrying out this most ambitious mission, the P-5 seemed to lack financial commitment to enhance UNTAC's legitimate authority. The only financial commitment that looked promising was the US$880 million pledge made by the international community at the Tokyo conference in June 1992. Yet, eight months later only US$25 million had been provided by the donor countries. While the American pledge was in the amount of US$135 million, by March 1993 almost none had been tendered.

China, France and the United States: Towards the Khmer Rouge

The Cambodian factions' perception of the great powers' intentions was more shaped by the latter's policies. Since both Russia and Britain played the role of bystanders, it is more useful to focus on China, France and the United States. From a legal point of view, as defined in the context of the Peace Agreement, China took a more conciliatory approach towards

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Cambodia. While it did not initially wish to offend the international community, China continued to maintain low-profile support for a political process that would allow the Khmer Rouge to play an effective electoral role. Unlike the other great powers, China insisted on the four Cambodian parties promoting national reconciliation. At the signing of the Agreement, Chinese Foreign Minister, Qian Qichen, conveyed his government's position that the four Cambodian parties should carry on the spirit of national reconciliation and mutual accommodation and should faithfully implement the Peace Agreement.

When everyone accused the Khmer Rouge of violating the cease-fire, China took a sympathetic view. Foreign Minister Qian Qichen's plan to visit Cambodia was cancelled when the Khmer Rouge leader, Khieu Samphan, was almost lynched by a mob after his arrival in Phnom Penh. China was also reported to have objected to the proposed SOC-FUNCINPEC alignment directed at containing the Khmer Rouge in the electoral process.[1] Until Resolution 793 (1992) was passed, China had offered support for the Khmer Rouge's participation in the peace process. As late as August 1992, China was reported to have still delivered its assistance in the form of funds and supplies to the Khmer Rouge.[2] Continually pressured by the international community, China later kept its distance and finally bowed to the other great powers' anti-Khmer Rouge policy.

Although France worked hard to maintain its neutrality and impartiality throughout the Cambodian negotiation process, particularly by hosting the two Paris conferences, it did not always act in accordance with the Paris Agreement. Its anti-Khmer Rouge policy could not be understood by simply reading General Michel Loridon's wish to do away with the faction once and for all. According to one scholar, France urged Sihanouk to turn against the Khmer Rouge. After the Prince arrived in Cambodia, he attempted to form an alliance with the SOC.

The French conduct of diplomacy towards Cambodia can be further explained in terms of how it dealt with the SOC at the non-official level before the signing of the Agreement. Apparently with a desire to reassert its influence over Indochina, France opened an Alliance Francaise to teach French to Cambodians. In addition, France offered a training programme in all fields, including a one-month training course in France to the SOC's top civil servants (including vice-ministers). In addition, some Cambodians did go to France to study in such fields as administration, management, finance, economics and law. According to a French diplomatic source, this programme was part of France's contribution to the future reconstruction of Cambodia, because it was easier for Cambodian civil servants "to acquire knowledge and expertise through the language they already knew".

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France's closer relations with the SOC became obvious when the Foreign Minister, Roland Dumas, accompanied by twenty-five representatives of leading French enterprises, visited Cambodia on 22 November 1991. Upon arrival at Pochentong Airport, they were welcomed by SOC Prime Minister Hun Sen, Foreign Minister Hor Namhong, and several other ministers and their deputies. The two sides discussed in detail the conditions necessary for the effective implementation of the Peace Agreement. On 24 November, Dumas admitted that the SOC had insisted on France taking part in the formation and adaptation of the economic, administrative, and judicial structures in Cambodia, as well as French intervention in agriculture, including rubber plantations. Hun Sen allowed Dumas "to identify a number of sectors that require[d] urgent assistance, which France [was] happy to provide". While appearing to be cordial with the SOC, France had no interest in making concessions with the Khmer Rouge whatsoever. In January 1990, for instance, President Francois Mitterand issued a strong declaration: "No compromise is acceptable with the Khmer Rouge". This position remained absolute. France wanted to see other Cambodian parties in power. When asked to comment on the proposed alignment between the SOC and FUNCINPEC against the Khmer Rouge during his visit to Cambodia in November 1991, Foreign Minister Dumas made the point that he would not object to it. "What goes on inside the political forces — an arrangement in view of the forthcoming electoral campaign — is only normal", he said.

In short, France did not act impartially or, at least, give the strong impression that it was neutral in the Cambodian conflict during the UNTAC period. According to one analyst, France was "eager to re-establish its influence in Cambodia and Vietnam". As a result, "it condemned the Khmer Rouge and was cool towards the KPNLF but fairly supportive of [FUNCINPEC]". Furthermore, "it was keen to see co-operation between Sihanouk and Hun Sen...[and] became increasingly supportive of the SOC. It [was] the first Western country to give official aid to the SOC and to send its highest-ranking foreign ministry official to Phnom Penh before the signing of the Peace Agreement".[3]

There is room for argument about which side Washington was on during the transitional period. A number of analysts have pointed out that the United States' main strategy was to oppress the CPP and to deprive Vietnam of its influence in Cambodia. David Roberts, for instance, argues that Washington preferred to see the KPNLF and FUNCINPEC win at the expense of the CPP.[4]

According to Roberts, Washington's foreign policy was "geared towards financial support for those parties in opposition to the CPP". The United States Agency for International Development (USAID) developed a strategy

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in support of this political objective. Its bottom-up approach was "concentrated on local, small-scale initiatives, not large-scale infrastructural projects which clearly benefit[ed] the Hun Sen/CPP regime". After the elections, USAID's approach shifted from private volunteer organizations/non-government organizations' activities to infrastructure and co-operation with the SNC. Based on this strategy, Roberts drew the conclusion that "the single objective of United States aid/foreign policy had altered little since 1992. The pattern of marginalizing the CPP ha[d] been maintained at all levels. . . ."[5]

Roberts was further convinced by what he saw in the post-election period: America was bent on keeping France out of the American sphere of influence, oppressing the CPP, and punishing Hanoi for the U.S. defeat in the Vietnam War. In fact, Roberts' whole argument seems to have been inspired by what a senior American UNTAC official had said: "In order to do what we want to do in Cambodia, we can do without Prince Sihanouk. We can do without the CPP. We have ninety million dollars to keep the officials and soldiers of the SOC and to buy the CPP Deputies necessary to get the 2/3 [majority] and then put in place the coalition of our choice".[6]

This kind of argument has some validity and limitations. No doubt, Washington would have desired to see FUNCINPEC and the KPNLF win the electoral battle since they had been its clients throughout the 1980s. But, to assume that opposition to the CPP was Washington's single foreign policy objective is flawed. Washington may have pursued a policy to marginalize the CPP, but it did not intend to see it exit from the political scene. In fact, the possibility of the Khmer Rouge returning to power was of concern to American policy-makers more than anything else.

It may be worth recalling the fact that American policy-makers had changed their stance towards the CGDK in the summer of 1990 in order to get the Cambodian belligerents to negotiate. From that point on, their central concern was not simply to end support for the Khmer Rouge but to make sure that they would not regain power in Cambodia. While this new policy or strategy did not really prevent the Khmer Rouge from signing the Peace Agreement, it created further suspicions that Washington would try to eliminate them in the political process.

It might also be helpful to recall that the American policy towards the Khmer Rouge prior to the signing of the Peace Agreement was only just emerging. Throughout 1989, Representative Chester Atkins asked the State Department to put pressure on Sihanouk to turn his back on the Khmer Rouge. Atkins' colleague, Jim Leach, also "renewed a call for an international tribunal to try Pol Pot". In April 1991, when the Cambodian negotiations were still under way, Assistant Secretary of State Richard Solomon explained Washington's strategy to contain the Khmer Rouge.

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A Peace Agreement as proposed by the P-5 would benefit the SOC. With the withdrawal of Vietnamese troops from Cambodia, the Khmer Rouge would lose their "main propaganda focus: Vietnamese support for Phnom Penh". As a result, they would "have to defend their genocidal practices of the late 1970s". In his careful calculation, they would not win enough seats: "no one expects the Khmer Rouge to do well in that situation". Even if the Khmer Rouge had participated in the electoral race, they might have won a limited share of the vote but were "unlikely to gain any significant power in a new government".

Washington's political strategy did not end with the Khmer Rouge's predictable loss. It moved further to a dangerous zero-sum game that would put the Khmer Rouge away once and for all after the elections. In July 1991, Richard Solomon made his government's position on the Khmer Rouge clear. On the genocide issue, Washington "most strongly" shared Hanoi's opposition to the return to power by the Khmer Rouge. "We have publicly stated this in the past and will continue to do so during the settlement process," said Solomon. Just six days prior to the signing of the Peace Agreement, Solomon asserted that his government "would be absolutely delighted to see Pol Pot and the others brought to justice". SOC Prime Minister Hun Sen was now to blame for the Peace Agreement's exclusion of provision for a trial. According to Solomon, "Mr Hun Sen had promoted the idea over the summer months of a tribunal to deal with this issue. For reasons that he would have to explain, he dropped that idea at the end of the negotiations".

Even when the Agreement was being signed, U.S. Secretary of State James Baker made a detrimental statement which generally echoed the second pillar of Washington's foreign policy in Asia and specifically condemned the Khmer Rouge's past atrocities. For the first time, he admitted that their reign had left more than one million Cambodians dead and pointed out that the violence they had used against their own people "ha[d] few parallels in history". He added: "The world is still shocked at the horrors of Khmer Rouge annihilation". In his view, the Khmer Rouge were "no ordinary oppressors".

While James Baker's moral and political condemnation of the Khmer Rouge's past policies and practices as "an abomination to humanity" was morally justified and sent a powerful message that never again would the international community allow them to recur, it did not end there. In addition to his support for the promotion of human rights in Cambodia and for the SNC's acceptance of a multi-party democratic political order, he added that his government would "support efforts to bring to justice those responsible for the mass murders of the 1970s if the new Cambodian government chooses to pursue this path". Washington was on the

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brink of a serious dilemma, having to choose between the Peace Agreement, which allowed the Khmer Rouge to enjoy legitimacy in the electoral process, and the moral/legal obligation to exclude them.

However admirable this policy may have appeared on the surface, it was not morally feasible when taking Cambodian history into account, nor legally justifiable when taking the Peace Agreement into consideration, nor politically realistic in the context of the Cambodian conflict. From a moral point of view, it was extremely difficult to quantify the degree of crimes committed by the Khmer Rouge, as described by James Baker. No Cambodian leaders, including those in the SOC/CPP circle, were blameless. All were guilty of some criminal action that deserved punishment. Washington itself was at one point "accused by Sihanouk of committing genocide in Cambodia during the Lon Nol era". The American sins of commission took place during the well-known and extensive bombings of the Khmer Rouge zones in the first half of the 1970s.[7] According to Michael Haas, "Washington had too much blood on its hands to single out Polpotism as an evil to be eradicated".[8]

From a legal point of view, Washington's "hidden agenda" appeared to have contradicted the Peace Agreement. According to Serge Thion, James Baker "want[ed] to have it both ways: to sign an agreement that jack[ed] up the Khmer Rouge into a legitimate position and to distance himself from them on moral and legal grounds".[9] Whatever the American intention might have been, Baker's policy statement sent two important, though detrimental, messages to the fragile democratic process. Firstly, it predetermined the electoral outcome. The fact that Baker asserted clearly that his government would support the newly-elected Cambodian government if it decided to bring those murderers to justice implied that the new Cambodian government would not be the one controlled or shared by the Khmer Rouge. Secondly, this political judgement also violated the Peace Agreement which allowed all four signatories to participate effectively in the electoral process in the hope that each could be elected into the Constituent Assembly and could form a new government.

Politically, Washington's strategy was impractical and lacked common sense, for it could be viewed as a perfect case of lulling the enemy into a false sense of security by pretending to play by the rules of the political game. To say that the Khmer Rouge would definitely not form a government was one thing, but to unduly alarm them under the threat of retributive justice was another. It sent a strong and clear message not only to the other parties (especially the SOC/CPP) that they would be more legitimate, thus more entitled to do as they pleased with the democratic process, but also to the Khmer Rouge that, under any circumstances, they would lose

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in the elections and might be subjected to retroactive punishment for their acts of genocide.

Even during the transitional period, some political elements in Washington pressed for legal action against the Khmer Rouge. In 1992, U.S. Senator Charles Robb introduced legislation in the Senate, known as the "Khmer Rouge Prosecution and Exclusion Act". Notwithstanding the fact that the legislation was not passed, it nonetheless sent a signal to the Khmer Rouge about the United States' potential readiness to put them on trial for their past crimes against humanity should they lose in the elections. In the context of the Peace Agreement that legitimizes the Khmer Rouge, the United States could be perceived as having had the potential to act in bad faith.

Thus, the broader implications of the policy objectives of France and the United States were quite apparent to the Khmer Rouge. Under all circumstances, they were not only considered unfit to rule but would most likely be subjected to future prosecution and punishment. To the Khmer Rouge, Russia, Great Britain, France and the United States were of the same mind with regard to their political future in Cambodia. It should not be too difficult to understand why the faction was critical of UNTAC's overall performance and its final decision to pull out of the electoral contest.

Conclusion

In sum, although the three studies offer (in different ways) some useful complementary guide for understanding the dilemmas the UN would face when trying to transform war-torn states into peaceful and democratic ones, they should not be read uncritically. The bottom-line is that none of the authors has dealt effectively with the burning question of why the Khmer Rouge was the only party that had called it quits just before the elections took place. The advice one could give to readers is that they should consider the problem of perceived insecurity when seeking to discern domestic adversaries' political behaviour in failed or failing states and pay more attention to the role of the great powers (not just middle ones) in the peace process. The writers under review overlooked the P-5's foreign policy objectives and their impact on Cambodia's peace process. In order for scholars to understand more fully why UNTAC succeeded only to the extent that it did, more research is needed. They would learn more about the mission if they do not overlook the P-5's foreign policy objectives which are still guided by their own interests in the post-Cold War era. Thus, the UN would get less frustrated and perform better if it could avoid putting itself too deeply in the shoes of a "bad workman who always blames his tools" by learning more about the tricks of the trade in domestic

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peacekeeping, and if the P-5 could act in a less ideological, and more impartial, manner.

NOTES

1. According to Prince Ranaridh, the proposed coalition between his party and the SOC was viewed by China as a threat to the peace plan. The Chinese said that they did not want to hear about this coalition any more. The Prince eventually bowed to the Chinese pressure. Foreign Broadcast Information Service-East Asia Service (*FBIS-EAS*), 9 December 1991.
2. *Bangkok Post*, 4 August 1992.
3. M.H. Lao, "Obstacles to Peace in Cambodia", *Pacific Review* 6, no. 4 (1993): 389.
4. David Roberts, "Democratic Kampuchea?", *Pacific Review* 7, no. 1 (1994): 108.
5. Ibid., p. 109.
6. Ibid., p. 109.
7. William Shawcross, *Side-shows: Kissinger, Nixon and the Destruction of Cambodia* (New York: Simon and Schuster, 1979). During my discussion with him in May 1993, Shawcross quoted a remark: "What the United States started, the Khmer Rouge completed".
8. Michael Haas, *Cambodia, Pol Pot and the United States* (New York: Praeger 1991), p. 22.
9. Serge Thion, "Genocide as a Political Commodity", in *Genocide and Democracy in Cambodia*, edited by Ben Kiernan (New Haven, Connecticut: Yale University, 1993), p. 164.

SORPONG PEOU is a Research Fellow at the Institute of Southeast Asian Studies, Singapore.

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BOOK REVIEWS

Southeast Asian Chinese and China: The Social-Cultural Dimension and ***Southeast Asian Chinese and China: The Political-Economic Dimension*.** **Edited by Leo Suryadinata.** Singapore: Times Academic Press, 1995.

In July 1914, King Vajiravudh of what was then known as Siam published a four-part article in the *Siam Observer* entitled "The Jews of the Orient". He was referring to the Chinese, and the comparison was made by no facile mind. Vajiravudh was sent to England for education in 1893 when he was twelve years old. He went to Oxford in 1900, where he read history and law, and later attended Sandhurst. While in Europe he visited France, Belgium, Italy, Hungary and Spain and, while on his way back to Siam, the United States and Japan.

Like the Jews in Europe, King Vajiravudh wrote, "The Chinese also preserved their allegiance to their race, taking advantage of all the benefits of foreign citizenship but giving no loyalty in return. The Chinese also possessed the concept of racial superiority, regarding only Chinese as civilized and classifying all other peoples as barbarian. And, lastly, the Chinese shared the Jewish money-making instinct; they had 'discovered the Art of living on nothing'. In their devotion to money, the Chinese were without morals or conscience or pity". Comparing the Chinese to the Jews was not new in King Vajiravudh's time. As early as 1898 H. Warington Smyth, a Briton working in Siam, wrote in the book *Five Years in Siam* that the Chinese were "the Jews of Siam". What is remarkable about the discourse on "Chinese as Jews" is the ingenious stringing together of two peoples from different cultural histories into a single register of mutual reflection. But this is beside the point. For such a comparison became

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widely accepted because it mirrored the prevalent fear for the two "races" as posing a threat to the social and economic security of the nineteenth century world in both the East and West. The idea of the "yellow peril", a term which first appeared in the *London Daily News* of 21 July 1990, found an insidious echo in the voice of Luang Wijit Wathakan, Director of the Fine Arts Department of Thailand, who in July 1938 called for the application of the German solution to the Jewish problem in Nazi Germany to the Chinese problem in Thailand.

The heritage of racial discourse tends to confront any attempt to understand and write about the Chinese diaspora. In Southeast Asian countries today where the Chinese are a minority, they are always "one of us, but not quite". The very ethnic label tends to reinforce the notion of an immigrant community still longing for their homeland, and whose local national loyalty is always in question. With the granting of citizenship rights by post-colonial nations, some Southeast Asian states still find it politically befitting to maintain key "differences" among the ethnic Chinese in order to set them apart from the other citizens within the same polity. While the earlier racial discourse produced crude but effective reactions against the Chinese, such "differences" based on the re-imagining of highly selective social "facts" also result in significant ambivalence in the understanding of the Chinese. The Chinese may be resented for their wealth and economic success, but the fact is that they are also much admired, if not desired. They are admired for their frugality and forbearance, and especially the seemingly miraculous ease with which they create spectacular riches from nothing. But the Chinese themselves are not immune from this irony. While they reject the racist view about themselves, few would resist the seductive call of the other stereotype: the hardworking Chinese whose commercial talent enables them to smell out business opportunities like a hound.

All this is an appropriately tortuous path to map out the complex desire implicated in the two volumes of essays under review. These were papers first presented at the International Conference on Southeast Asian Chinese: Culture, Economy and Society, held in Singapore in January 1994. The volume dealing with *The Social-Cultural Dimension* (sic) classifies the papers under three parts: Ethnic Chinese Society and Leadership, Ethnic Chinese Religion, and Ethnic Chinese Literature. There is much of the "sameness" to those familiar with the literature on Overseas Chinese in Southeast Asia. C.F. Yong produces another of his impeccably researched historiographies, this time dealing with an early communist organization in Malaya. Cheng Lim Keak's paper on "Chinese Clan Association in Singapore: Social Change and Continuity" repeats much of the theme put forward in his 1985 book, *Social Change and the Chinese in Singapore*,

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regarding the "bang"-based clan associations and their response to changes in Singapore since 1959. ("Continuity and Change" is part of the title of another paper on the Chinese in the Philippines by Teresita Ang See. Can the reader expect academics to come up with more imaginative titles?). These and other papers in the volume could do with some self-reflection, some teasing of what all the elaborate details actually mean. For example, writers of Overseas Chinese leadership have always conceptualized it in terms of prominent men's structural positions in what are regarded as key Chinese cultural institutions: clan associations. If that had been true in the past — even then we might question the idea of power as necessarily lodged in formal institutions — the concepts of leadership and the effect of their influences have to be rethought in the contemporary situation. Changing national politics, we might suggest, would have produced new and more fluid loci of power which dwarf the highly mythologized significance of clan associations and other "traditional cultural institutions". At the same time, urban consumption and global connections through (Western) education and travelling must bring forth new symbolic capital outside the customary arenas of voluntary associations and temple sponsorship. Other than Tan Liok Ee's essays on Chinese leadership in Malaysia, which correctly focuses on the complex engagement of the Chinese leaders in independence politics, these essays talk of continuity and not much about the dramatic changes in a world of volatile national politics and regional and global cultural flows.

The more interesting chapters for this reviewer are those in the section on Ethnic Chinese Literature. This, however, consists of only four short chapters. Perhaps it is the freedom of literary imagination which enables some of the writers to open at least a slit in the complex desire of a people at the cusp of tradition and change. Koh Tai Ann's chapter goes beyond the easy assumption of the liberating potential of using English by Chinese women in their autobiographical writings. The self-inscribed androcentric values are invariably reproduced by these women, without irony, as the stable and harmonious social and domestic order of patriarchal practicalities. The remarkable career of the pre-war Indonesia *peranakan* writer Njoo Cheong Seng (1902–62) is described by Myra Sidharta with the same bitter-sweet aura that marks Njoo's life. Njoo wrote novels, plays and poems in Indonesian. In spite of his own modern ways in love and taste, he was still concerned with the corrosive force of Westernization on the moral values of men and women among the Indonesians and *peranakan* Chinese.

If there was an underlying motif informing most of the papers in this volume, it would be the conscious and unconscious affirmation of the understanding of the Overseas Chinese as tradition-bound, inward-looking and ambivalent about their role in local national politics. And the

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affirmation goes far back to the ambivalence in the stereotype of the Chinese as Jews. It is as if by repeating the idea of the cultural authenticity of the Chinese, the writers can begin to carve out something unique about their community (all except three of the fourteen writers are ethnic Chinese) outside the ruling of racial prejudice and ethnic politics. This evokes precisely the contradiction in the position of the ethnic Chinese. The question facing them has always been: when is a longing for China — the ancestral country — and Chinese tradition simply a matter of cultural nostalgia afflicting all diasporic communities, and when does this come to clearly indicate a lack of national loyalty? The circulation of this desire touches the political nerves wherever Chinese find themselves in Southeast Asia. The current opening of China, and the economic opportunities available there, reopen the proverbial can of worms which spill out in the second volume entitled *The Politico-Economic Dimension* (sic).

The chapters in this second volume deal more directly with the issue of Southeast Asian Chinese and China by focusing on economic relationships. Yashirara Kunio summarizes his argument which he first outlined in his 1988 book, *The Rise of Ersatz Capitalism in Southeast Asia*. It takes Jamie Mackie's thoughtful essay to question the thesis about the peripheral role of Chinese participation in the Southeast Asian economic systems. The power of Mackie's chapter lies in his thoughtful critique of the prevailing fiction about overseas Chinese business practices, and especially regarding the existence of a single "powerful regional network (extending from Hong Kong throughout Southeast Asia) — informal though pervasive, . . .essentially stateless, stitched together by capital flows, joint ventures, marriage, political expediency, and a common culture and business ethic". The representation sounds faintly of a conspiracy of ethnic self-interest beyond national boundaries. Truth is not better served when the editor casually remarks: "The Chinese in Southeast Asia are indeed a heterogeneous group. However, it is a well-known fact that no matter where they reside, they are quite successful in their economic pursuits". Most of the other essays take up the issue of ethnic Chinese involvement with China's economy. Huang Jianli, historian at the National University of Singapore, reminds the reader of the significance of China as a communist state, a fact which coloured any trading and economic dealings with the country in the Cold War era. But the ideological memory lingers. Even as trade with, and foreign investment in, China from all sources rapidly expands, "China connections" still have to be underplayed in the ethnic politics of Southeast Asia. The awkward hesitancy of the following in the introduction can be read under such light: "To an extent, Beijing has been quite successful in attracting (overseas) Chinese capital. However, the largest amount has come from Taiwan and Hong Kong rather than

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Southeast Asia. Nevertheless, since some Southeast Asian Chinese capital has also been invested in Hong Kong, it is quite difficult to know for sure the proportion of Southeast Asian Chinese investment in China. However, from available information, most scholars are of the view that the bulk of ethnic Chinese capital is still in the region rather than in the mainland". Wang Gungwu lends his authority as a renown scholar on the Overseas Chinese and as the then Vice-Chancellor of the University of Hong Kong, by assuring the reader that the investments by ethnic Chinese in China have been mainly motivated by profit rather than by cultural sentiment and ethnic ties.

The chapters in the two volumes are of uneven quality and analytical depth. This is to be expected of any book that is a compilation of conference papers. A project such as this dealing with the social, political and economic entanglements of the ethnic Chinese with China is an important one. With the "rise of Asia" and the "romance of Chinese capitalism" made popular by Gordon Redding, the position of the some 20 million ethnic Chinese in Southeast Asia deserves critical re-examination in the context of regionalization and globalization. Yet such a project can only begin to help our understanding of the complex processes of "continuity and change" — not always in contiguous duality — if it confronts the fissure brought about by the new reconfiguration of the post-Cold War era. Above all, to heed the warning of Edward Said, it needs a sophisticated "hermeneutic suspicion" of the concepts and discourses which have previously shaped our understanding of a community now inevitably and rapidly changing. The two volumes tease our wish to catch a glimpse of a remarkable people at the "end of history", but never quite delivers.

YAO SOUCHOU
Institute of Southeast Asian Studies
Singapore

***Eastern Asia: An Introductory History.* Edited by Colin Mackerras.** Melbourne: Longman Cheshire, 1992. 639 pp.

This book is an ambitious attempt to provide a one-volume history of eastern Asia. It would be difficult for any such work to be comprehensive, especially when the term "eastern" is used to encompass Southeast Asia as well as the more usual Japan, China and Korea. The main emphasis in

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this book is on those three countries plus Vietnam, Thailand and Indonesia. Despite the shortcomings that are almost inevitable in such an undertaking, the book is a useful introduction to the modern history of the area.

The editor has adopted a thematic approach within a broad chronological framework. The book begins with a discussion of the region's physical and ethnic geography, followed by brief but illuminating introductions to traditional social and family systems, religious traditions and political patterns in pre-colonial eastern Asia. This is followed by an account of "Asian responses to the Western challenges" from the sixteenth century to about 1950. The major section (some 300 pages) of the book deals with the region since the mid-twentieth century. As is appropriate in a text designed for first-year Australian university students, the last four chapters address the Australian connection since the beginning of the Vietnam War. Each of the forty-three chapters has a "Guide to Further Reading".

The opening chapters lead the reader to expect that the book will provide an introduction to the cultural history of eastern Asia, something which is much needed. Few of the subsequent chapters, however, refer to cultural change or to the impact of colonialism on the social structures of Asian societies. Part three is disappointing. The section's title, "Asian responses to the Western challenge, sixteenth to mid-twentieth centuries", is misleading. Instead of dealing with Asian responses, the overwhelming weight of the chapters is given to the activities of Europeans in Asia. In the first place, the reader gets the impression that the Europeans arrived in force and all of a sudden. One example will explain. The assertion that the licensed piracy of the Portuguese, operating from Ternate, Melaka and Goa, "made an appreciable impact on the volume of trade passing through Asian ports and changed, if only slightly, the balance of economic power in the region" (p. 125) is unsubstantiated and misleading. Portuguese naval power was not as powerful as is suggested. As Sanjay Subrahmanyam, addressing the same question in his 1993 book on *The Portuguese Empire in Asia, 1500–1700*, shows, most of the Portuguese maritime resources were concentrated not in eastern Asian waters but in the western Indian Ocean. In 1525, there was one galleon and one round-ship at Melaka, while ten galleons were at Hormuz and Calicut. Despite the Portuguese control of Hormuz, spices from the Indies, carried in Asian vessels, passed through that part for the Iranian, Turkish and North African markets. Nor were great numbers of Portuguese on the ground. East of Melaka they had one fort, in the Moluccas, which served to combat Spanish ambitions more than anything else. If space permitted, similar remarks could be made about the book's treatment of the various activities of the East India Company in eastern Asia. The Eurocentric emphasis can be illustrated by a sentence in Chapter 9: "Perhaps the most significant consequence of European

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penetration of Asia. . .was its contribution to the Industrial Revolution in Europe and especially in Britain". (The male, virile West penetrating the submissive female East?) Likewise, the act of resistance takes on Western rather than indigenous forms. Twentieth century independence movements and revolutions are seen as spurred by Western ideologies. The general picture is of the imposition of colonial rule on static societies and only passing attention is given to cultural retention, adaptation and assimilation as forms of resistance to imperialism.

Part Four is the strongest section of the book. Five of the nineteen chapters on "Asia since the mid-twentieth century" deal with social and cultural factors. The remaining fourteen summarize the domestic and external politics and economics of the countries concerned. All are informative, some are very good indeed. A couple of examples can be raised to make the general point. One of the most difficult tasks must have been that of writing a twenty-page summary on revolution and reform in China since 1949 (Chapter 24). Not surprisingly, the piece is sketchy but, surprisingly, it is passionless and quite well-balanced. The complex threads of the Great Leap Forward, the Cultural Revolution and since, are disentangled nicely but the terrors which were a part of them are given only passing mention. Likewise, the author's determination to be even-handed in his treatment of the 1989 student movement and the Tiananmen massacre has resulted in a restrained account which is, perhaps, overly-sympathetic to Deng Xiaoping and Li Peng. As an objective but thought-provoking essay, this is excellent. Another piece which will raise questions and stimulate the reader to move on to more detailed scholarly accounts is the essay on "The Japanese model of economic growth" (Chapter 27). It gives a clear, broad outline and skilfully weaves the social, political, and narrowly economic factors which combined to create the "Japanese miracle", as well as discusses the effects which rapid economic growth has had on the living standards and life-styles of the Japanese people. Starting with a brief discussion of scholarly views on Japan's economic transformation, the author shows how the origins of post-war recovery can be attributed to many factors, including the survival of the pre-war bureaucracy and business expertise and the reforms introduced during the Allied Occupation from 1945 to 1952. Growth has made most people better off but, despite developments in environmental and welfare policy, working hours are still longer in Japan than in most other industrialized countries and there is a popular feeling that a disproportionate share of the benefits go to the large corporations rather than to the ordinary people. The essay concludes with the prediction that as memories of the war fade, the new generation will be less willing than in the past to make economic sacrifices and will expect more of the fruits of economic power. With other chapters on topics

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as varied and as controversial as the role of religions in contemporary eastern Asian societies, Japanese politics, and population growth and mobility, this section contains much of interest and intellectual substance.

Although the general level of scholarship and writing is high, it is only to be expected that in a work by twenty-four authors themes should become blurred and that the forty-three chapters should vary in readability. For example, Chapter 3, on "Basic social structures and family systems", is muddied by the use of terms like "virilocal", "uxorilocal" and "neolocal" residences, and Malay and Japanese words, not usually expected to be part of the vocabulary of a first-year university student. On the other hand, the same author's brief examination of "Family change in post-war Japan and China" (Chapter 32) is jargon-free and lucid. The succinct introduction to "Religious traditions in Asia" (Chapter 4), is a model of clarity, as are many of the other chapters.

In summary, with over half the book concerned with the period since World War II, there is considerable emphasis on the ideological, political and economic influence of the West. The reader gets little feeling for the long Asian tradition of assimilation and adaptation of outside cultures, religions and political and economic systems to Asian needs. The book as a whole conveys the impression that the last fifty years are much more important in Asian development than were all the previous centuries of the region's existence.

That said, this book is probably as good as any single volume treatment of such a vast and complex subject could hope to be. The essays are intellectually stimulating. It will spur the discerning undergraduate, at whom the work is aimed, to raise many questions and search for answers. The book might also provide a painless introduction to the region for general readers, Western businessmen, or travellers.

GERALD JORDON
York University
Toronto, Canada

Taiwan in the Asia-Pacific in the 1990s. Edited by Gary Klintworth. Canberra: Allen and Unwin, 1994. 291 pp.

Emerging impressively in the international community through tremendous efforts at managing successful economic development and industrial restructuring, and effecting courageous political democratization in the

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last few years, Taiwan, formally known as the Republic of China (ROC), has become one of the largest economic powers in the global economy in terms of gross national product, trade, and export of capital. However, due to the entanglement in the "one China" issue with the People's Republic of China (PRC), Taiwan continues to suffer from its political handicap in the international arena.

Up to July 1995, there were only thirty countries that recognized the ROC as an independent country, while the rest of the world sees the ROC as an ambiguous political entity and/or "a part of China". The end of the Cold War and the continuous economic recession in Western societies have relatively soothed the political tension between countries in the Asia-Pacific region, and brought about a new momentum for economic growth. This development has, indeed, provided Taiwan with an unprecedented opportunity to wield its economic strength as a means of foreign policy in the Asia-Pacific region. To improve its industrial competitiveness, maintain the progress of economic development, extend its economic power, and secure its political and economic environment, Taiwan has been pushing for the establishment of a regional operation centre, parallel to its ambitious Six-Year National Development Plan (1990–96), in the Asia-Pacific.

Taiwan in the Asia-Pacific in the 1990s is a collection of essays derived from a conference held in Canberra, Australia, on 1–2 April 1993. The conference was the first on Taiwan ever held in Australia. It brought together those who study specific aspects of Taiwan's recent political reforms and economic development; those who look at the development of the conceptual "Greater China"; and those who explore the opportunity and possibility of a regional operation centre by the Taipei government. Inevitably, in this wide-ranging study of Taiwan there is some degree of overlap, though in different perspectives. There are also areas not covered, such as both multinational and indigenous industrialist interests in shaping "Greater China" and its importance to Taiwan's future, which could be very useful in strengthening the argument of progressing regional economic integration as Taiwan, along with Hong Kong, is becoming an integrated part of the Chinese economy.

Taiwan's bold efforts at democratization have, on the one hand, brought about societal, political and party ideological diversities and, on the other, has resulted in the ruling party, the Kuomintang (KMT), losing relative political dominance. Hung-mao Tien and Yun-han Chu highlight the crucial period of political reform led by President Lee Teng-hui since he came to power in 1988. The drastic change of political circumstance in the process of democratization is in reality a consequence of the power struggle between the "Taiwanese" and the "mainlanders" within and

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outside the KMT. As a result, the transformation of power-sharing has been mixed with the political issues of Chinese unification and Taiwanese independence. The largest opposition party, the Democratic Progressive Party (DPP), has steadily increased its share of the popular vote to well over 30 per cent. Tien and Chu therefore presume that there is now a two-party system in Taiwan, as the rising DPP could win power in the forthcoming elections. However, in 1993 the KMT suffered serious divisions resulting in the establishment of the New Party (NP) that took about 10 per cent of the popular vote away from the KMT in the provincial governorship and municipal mayoralty elections of 1994. Thus, with the NP coming into the ring, a three-way contest could gradually take shape in local and national elections in the future.

C.L. Chiou stresses that the Taiwanese search for their native roots and the establishment of a "Taiwanese consciousness" and a "Taiwanese national" identity have been part of the anti-KMT political campaign and the basis for the demands for democracy. Indeed, he is of the view that for whatever reasons claimed by the Taiwanese, the real political motive has been to share more political power. The DPP's increased influence in the policy-making process, and the KMT's efforts to Taiwanize its élite within the party, have not only transformed the cultural identity but also intensified the national identity issue between the Taiwanese and mainlanders, and between the hardliners and reformists within the KMT. The increasing "Taiwanese" sharing of political power has resulted in the transformation of the national identity of Taiwan in the 1990s.

Jou Juo Chu adopts the Gramscian approach of Marxism, which highlights the state and its role as an instrument in perpetuating the values of the dominant class, to analyse the national identity of the ROC since it settled in Taiwan in 1949. Before the 1970s, the KMT had completely dominated the state mechanism and tended to use coercive and ideological measures to win over the Taiwanese and so strengthen its power in Taiwan. The one-party authoritarian system, the one-China claim, and the national goal of unifying China and Taiwan stemmed from the "Chinese-oriented unionism" on which the early KMT's hegemony was based. Since the 1970s, however, change in the international environment, particularly the United States' derecognition of the ROC, has made it increasingly difficult for the KMT to maintain its legitimate claim over all of China. Moreover, Taiwan's industrialization has, to a large extent, contributed to the emerging Taiwanese political movement that has since forged a "Taiwanese-oriented separatism". During the 1990s, the KMT under its new leaders has been trying to develop an "island-China separatism" which is based on the redefinition of the one-China policy and which will enable it to sort out the antagonistic identity issue at home and to gain an independent

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international personality abroad. This "island-China separatism" which proposes a policy of either "two Chinas" or "one China and one Taiwan" is obviously opposed by the PRC.

In terms of the ROC's changing role in the Asia-Pacific region, Tuan Y. Cheng's concise study covers most aspects of economic issues that Taiwan has faced in the region. Among other things, he notes the impressive effect that Taiwan's trade, and export of capital in the region has had on diplomatic benefits to Taipei and the further integration of economic ties between China and Taiwan. His view that Taiwan's future foreign relations will be based on managing its relationships with China is one that is widely shared in Taiwan. Similarly, Tzong-shian Yu discusses Taiwan's emerging economic role and changes in the regional economic structure under a new framework of two economic superpowers: the United States and Japan. He traces the current economic trends of regionalism and suggests that Taiwan should make use of its capital, technology exchange programmes, and its experiences of economic development to contribute more to regional economic co-operation. Both Cheng and Yu conclude by pointing out that the establishment of a regional operation centre is a crucial step for Taiwan to maintain and improve its emerging role in the new Asia-Pacific economic order. For the successful establishment of the regional operation centre, Sheng-yi Lee emphasizes that much will depend on how Taiwan comes to terms with China and on its ability to attract more foreign investment.

Government policies for economic development in the past and present are examined in detail by Shirley W.Y. Kuo. She focuses on the government's experiences in its export-led policy, and the current development of trade liberalization, financial deregulation, and internationalization of Taiwan's economy in the new trade-triangle relationship between Japan, the Asian Newly Industrialized Economies (ANIEs), and the Association of Southeast Asian Nations (ASEAN). Being one of the leading architects of the Six-Year National Development Plan, she regards the plan and its effects as the driving force boosting Taiwan's economic growth in the years ahead.

"Greater China" attracts a large part of the discussion in this volume. The emergence of this conceptual economic grouping of China, Taiwan, and Hong Kong has resulted from industrial restructuring processes in Hong Kong and Taiwan, and China's commitment to step up economic reforms. Today, the major concern for Taiwan is how to generate technical, financial, and managerial powers needed to sustain the development of "Greater China" and how to make best use of all resources and markets for manufacturing in order to manage Taiwan's leading economic role within "Greater China". The discussion of "Greater China" in this volume

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is probably overly optimistic and is based on the assumption of economic complementarity, because it has become more obvious that industrial competition is increasing among China, Taiwan, and Hong Kong, as Chinese economic development moves ahead.

One of the most impressive chapters in this volume is Denis Simon's "gravitational" approach to Taiwan's industrial restructuring. According to him, the Taiwanese economy is currently locked into five orbital paths: the United States, Japan, China, the NIEs, and ASEAN. His analysis complements the focus on Taiwan's economic relationship with the United States and Japan in this volume, although it is limited to technology co-operation. Technology upgrading is critical for Taiwan to survive industrial competition within these orbital paths in the years ahead. Traditional joint ventures have been replaced by a new form of network-oriented co-operation. Taiwan, therefore, has become one of the most popular partners for the industries of developed countries.

Although a general introduction and a conclusion are absent, the substantive arguments, suggestions, and analysis put forth in this comprehensive volume about Taiwan's current position in the Asia-Pacific make for interesting reading, and its insights will be useful not only to academics but also to policy-makers, and those in the private sector.

Fu-Kuo Liu
National Chengchi University
Taiwan

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CSISBOOKS

Asian Values and the United States: How Much Conflict?
David I. Hitchcock
ISBN 0-89206-311-4 $10.95

The reassertion of Asian cultures and values and the proposal that Asian cultures have a strong kinship have emerged as spirited topics of discussion. To what extent is this thinking prompted by Asian reaction to Western influences considered divisive in Western societies? Or to what extent does this thinking stem from internal desires to give new attention to the indigenous cultural and spiritual side of modern life? This timely book addresses "cultural determinants" in international affairs.

"Mr. Hitchcock's survey is timely and useful....he injects some welcome balance and perspective into what has been a lopsided and tendentious debate."—Barry Wain, *Asian Wall Street Journal*

Asia Pacific Confidence and Security Building Measures
Ralph A. Cossa, editor
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Are multilateral confidence and security building measures (CSBMs) appropriate to the Asia Pacific region in the post-cold war era? In recent years, regional attitudes regarding the acceptability or applicability of CSBMs appear to be changing. The authors support the assumption that CSBMs, if properly crafted and carefully applied, are indeed appropriate to the region and offer recommendations about the best ways to pursue them.

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The Myanmar Army Since 1988: Acquisitions and Adjustments*

ANDREW SELTH

Before 1988, the Myanmar Army was a lightly-equipped infantry force organized and deployed for internal security operations. Its heavier equipment was obsolete, its logistics and communications systems were weak and operations were hampered by shortages of transport, fuel and ammunition. Under the State Law and Order Restoration Council, however, the army has grown from about 170,000 to more than 300,000 men. This increase in manpower has been accompanied by a massive arms procurement programme, designed to modernize the army's weapons and equipment, and upgrade its operational capabilities. The Myanmar Army is now a much more formidable force but, until a number of serious problems are overcome, its capabilities will remain limited and its professionalism suspect.

Whenever Myanmar's armed forces are mentioned, it is usually the Myanmar Army (MA or *Tatmadaw Kyi*) which springs to mind.[1] The army has always been by far the largest service and has always received the lion's share of Myanmar's defence budget. It has played the most prominent part in Yangon's military struggle against the forty or more insurgent groups which have challenged central rule since Myanmar regained its independence from the United Kingdom (U.K.) in 1948.[2] Since General Ne Win's coup d'etat in 1962, the army has also dominated all political processes in the country and even branched out into commerce and industry. Its leading political role was reinforced in 1988 by the suppression of widespread pro-democracy demonstrations and the creation of the State Law and Order Restoration Council (SLORC).[3] Despite a number

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of personnel changes since then, the SLORC still consists almost entirely of army officers.

Apart from its self-appointed political role, the Myanmar Army before 1988 was essentially a lightly-equipped infantry force organized and deployed for internal security operations. In some respects its combat reputation may have been greater than it deserved, but its forty years of continuous campaigning against ethnic, ideological and "economic" insurgents in Myanmar's lowland deltas and rugged mountains had made it into an experienced and battle-hardened force. For this, it was respected — at times even feared — by its regional neighbours. The army's heavier equipment, however, was obsolete, its logistics and communications systems were very weak, and operations were constantly hampered by shortages of transport, fuel and ammunition. Political reliability was often rewarded before professionalism, and the officer corps lacked exposure to foreign military doctrines and strategic concepts.

After taking over the reins of government, one of the SLORC's first major decisions was to implement a far-reaching plan to expand and modernize the armed forces. The army will benefit most from this plan, and has already grown from about 170,000 to more than 300,000 officers and men. The SLORC's ultimate goal is to have an army of about 475,000 of all ranks by the end of the decade.[4] This increase in manpower is being accompanied by a massive arms procurement programme, which is designed to modernize the army's inventory of weapons and equipment, and significantly upgrade its operational capabilities. If these goals are achieved, then by the turn of the century the Myanmar Army will be one of the largest ground forces in Southeast Asia, with the technical means to perform a wide range of conventional defence roles.

The SLORC's expansion of the armed forces and its associated arms procurement programme have prompted considerable criticism, both within Myanmar and among members of the international community. These criticisms tend to focus on the regime's abuses of human rights since 1988, the refusal of the armed forces to cede political authority to an elected civilian government, and the allocation of precious resources to the armed forces when so many other areas of Myanmar society are desperate for government support. There has also been concern expressed by a number of regional countries over Myanmar's close relationship with China, and the dependence on China which could result from Myanmar's purchases of Chinese arms. All these are important issues which warrant close examination, but it is also useful to study the Myanmar Army's expansion from a more technical or military point of view. Such an exercise can add a different perspective to accounts of recent political developments

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in Myanmar and complement analyses of strategic trends in the wider Southeast Asian and Asia-Pacific region.

The Myanmar Army before 1988

The Myanmar Army traces its origins to the nationalist military forces which were formed during World War II. These included the Burma Independence Army (BIA), which participated in the Japanese invasion of the country in December 1941; the Burma Defence Army, created in 1942 by the Japanese in an effort to control the BIA; and the Burma National Army (BNA), which was formed in 1943 when the Japanese granted Myanmar token "independence" under the puppet government of U Ba Maw.[5] Thanks to a dramatic switch in its allegiances late in the war, the BNA survived as the Patriotic Burmese Forces (PBF) to become the nucleus of the new Burma Army (BA) when the British colonial administration left in 1948.[6] As Hugh Tinker has noted, however, "any hope of steady development of the new army was overturned by the onset of civil war".[7] Almost immediately after the birth of the Union, three former battalions of the PBF mutinied, as did a number of the BA's new ethnic battalions. These mutinies, together with the outbreak of insurgencies with two communist parties and a number of other groups, soon threatened the survival of the fledgling U Nu government in Rangoon. To protect the new Union and restore unity to the country, the government authorized an expansion of the army.

At independence, the Burma Army consisted of fifteen regular battalions, assisted by fifteen battalions of military police. After the 1948 mutinies, the army was reduced to a mere ten frontline battalions, or about 15,000 men.[8] With help from the U.K., the United States and India, its strength was built up to more than 40 battalions by 1953. These troops were supported by armour and artillery regiments, engineering units, a medical corps, and supply and signals elements. With a little more foreign assistance, this steady increase in strength continued until 1960, by which time the army had grown to 85,000 men and could field about fifty infantry battalions. After General Ne Win's coup in 1962 and the creation of the Burma Socialist Programme Party (BSPP), there was a major diversion of army resources to political and administrative roles, but efforts were soon made to replace these losses. In October that year, for example, twenty-seven new battalions were formed from the Union Military Police, which was then formally disbanded. Under the Ne Win regime, the army's growth quickened. By the beginning of 1988, it consisted of 165 regular infantry battalions, two armour battalions, four artillery battalions,

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and one light anti-aircraft artillery battalion.[9] All units were made up of volunteers serving commitments of two to six years.

Before the SLORC's takeover in September 1988, overall command of Myanmar's armed forces rested with the country's highest ranking military officer (always drawn from the army), who acted concurrently as Defence Minister and Joint Chief of Staff. He thus exercised supreme operational control over all three services, albeit under the direction of the President, State Council and Council of Ministers. The Defence Minister was assisted by three Vice Chiefs of Staff, one each for the army, navy and air force. These officers also acted as Deputy Ministers of Defence and commanders of their respective services. They were all based at the "War Office" in Yangon, which operated as both a government ministry and a joint integrated military headquarters.[10]

The joint staff in Yangon had three major divisions: the General Staff, the Adjutant General's Department and the Quartermaster General's Department. The first of these included two Bureaux of Special Operations (BSO), established in the ministry in the late 1970s and early 1980s to manage different theatres of operations. They were thus responsible for the overall direction and co-ordination of the activities of the Regional Commands, mobile infantry divisions and supporting units from the air force and navy.[11] One BSO took responsibility for Upper Burma while the other managed Lower Burma. There were also separate staffs in the War Office, for the Comptroller of Military Accounts and the Inspector General, and for the directorates of Procurement, Defence Services Intelligence, and People's Militia and Social Relations. Additional directorates corresponded largely to the army's functional corps, such as Artillery and Armour, Supply and Transport, Electrical and Mechanical Engineering, Signals, Ordnance and Medical Services.[12]

Operational command in the field was organized into nine Regional Commands. Under the ministry's guidance, the Regional Commanders (once again, made up of senior army officers) were responsible for the conduct of all military operations in their command areas. Depending on the size of the Command and its operational requirements, the Regional Commanders had at their disposal up to ten garrison infantry battalions, managed through a number of Tactical Operations Commands (TOC).[13] Five Regional Commands had two TOCs, and four had three TOCs. There were also eight Light Infantry Divisions (LID) but, like naval and air assets, these units remained under the command of the Defence Minister. Operational control was passed to the Regional Commanders by Yangon as circumstances dictated. Under the guidance of the ministry, the Regional Commanders also held senior positions in the ruling BSPP, the organizational structure of which closely reflected that of the armed forces.[14]

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While the Burma Army was formally organized on a regimental system, the basic manoeuvre and fighting unit was the battalion. This was usually organized into a headquarters unit, four rifle companies (of three platoons each), a support company (with medical, transport and signals functions), and a heavy weapons company. The latter included mortar, machine gun and recoilless gun platoons. Artillery and armour units were not used in an independent role, but deployed as necessary in support of the infantry. The establishment strength of the battalion was usually set at 750 officers and men, but in fact rarely exceeded 500.[15] Before the SLORC's expansion programme, the Burma Regiment numbered more than one hundred battalions and the Light Infantry Regiment some forty battalions. Other regiments, with traditional names like the Burma Rifles, Chin Rifles and Kayah Rifles, accounted for about twenty more battalions.[16] Of these infantry battalions, eighty-five (*Hka La Ya* battalions) did not fall under any formal divisional structure but were independently assigned to garrison duties in Burma's nine Regional Commands. The remaining eighty (*Hka Ma Ya* battalions) were mobile formations which made up the eight LIDs.[17]

The first LID, the 77th, was formed in mid-1966, and was responsible for the defeat of the Communist Party of Burma (CPB) forces based in the central Pegu Yomas in the mid-1970s. In 1967 and 1968 two more LIDs were formed, the 88th and 99th. In the latter half of the 1970s, three more LIDs were raised (the 66th, 55th and 44th, in that order), followed by another two in the period leading up to the SLORC's assumption of political power (the 33rd and 22nd LIDs).[18] In 1988, each LID consisted of ten battalions specially trained in counter-insurgency warfare, under three Tactical Operations Commands. These TOCs were made up of three or more combat battalions, with small command and support elements. One LID battalion had been given parachute training, but airborne operations were rare. While some LIDs were used to deny territory to anti-government forces, they generally constituted the regime's élite shock troops against insurgents and narcotics-based armies. They were also called upon to quell civil disturbances in the major population centres, as the 77th LID did in Yangon during the 1974 "U Thant" disturbances, and as the 22nd and 33rd LIDs did during the 1988 pro-democracy demonstrations.

In addition to manpower problems, after 1948 the new Burma Army also faced severe shortages of arms and equipment. The U Nu government was reluctant to accept foreign military aid, which it feared might compromise Myanmar's newly-won independence and draw the country into the Cold War. The serious insurgent threat, however, soon forced it to turn to other countries for assistance. Under a defence agreement signed in 1947, the U.K. provided Myanmar with technical advice, loans, military

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equipment and weapons.[19] India also helped with small arms and ammunition. The United States was initially slow to assist Myanmar but eventually provided a considerable amount of ammunition, surplus war materiel and training, first under the Mutual Defence Assistance Plan and later the Military Assistance Programme (MAP).[20] During the 1950s, weapons were also provided by Yugoslavia, Israel and Sweden, which were seen to share Myanmar's "non-aligned" credentials. West Germany did not provide any military aid but offered favourable terms of finance when, in the late 1950s, Myanmar reached an agreement with German firms to expand its small indigenous arms industry. After 1958, further equipment was purchased from the United States, although this programme fluctuated according to Myanmar's foreign policy priorities.[21]

By 1988, the Burma Army possessed a wide variety of equipment from many different sources. Much of it was very old and of limited utility. Myanmar's reluctance to accept military aid and its severe economic problems had prevented any major modernization programmes. These factors encouraged the army to retain and maintain almost all the equipment that it ever acquired. As one observer noted in 1983, the fact that so much of it was kept in functioning order "was a testament to the skill and inventiveness of the army's maintenance personnel, who have long had the task of making do with what little was available".[22] It was also a reflection of the nature of the security threats the Yangon government faced, and the relatively limited military ambitions which the regime had set for itself before the SLORC took over.[23]

Myanmar's standard infantry weapon was the 7.62mm BA63 automatic rifle, a locally-produced version of the German G3. There was a shorter, lighter assault version known as the BA72.[24] The army also had U.S.-made 5.56mm M16A1 automatic rifles (about 500 fitted with 40mm M203 grenade launchers), German 7.62mm FN-FAL automatic rifles and a quantity of British 9mm Sterling sub-machine guns.[25] Many soldiers still carried old .30 calibre M1 and M2 carbines provided by the United States in the 1950s under the MAP. A few units may have still kept old .303 Lee Enfield rifles or locally produced BA52 submachine guns, but by 1988 most of these weapons had been passed on to Police and People's Militia units.[26] Officers carried a 9mm Browning High Power/FN 35 semi-automatic pistol. The typical section support weapon was the locally-manufactured 7.62mm BA64 light machine gun, also known as the G4.[27] Company fire support generally consisted of German 7.62mm MG3 medium machine guns (also made in Myanmar) and Belgian 7.62mm FN MAG general purpose machine guns. The army also used Browning .50 calibre M2HB machine guns.[28]

Other infantry weapons used by the army around this time included

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some 3,000 U.S.-made 40mm M79 grenade launchers (delivered to Myanmar in 1985) and, since 1982, at least 1,200 Swedish 84mm M2 Carl Gustaf recoilless guns obtained from Singapore.[29] Other support weapons included 60mm light mortars (probably made in Myanmar), 81mm medium mortars (probably U.S. M29s or Israeli weapons), ex-Soviet-bloc 82mm M43 mortars and a range of 120mm mortars. The latter seems to have been a mix of Yugoslavian (UBM 52), Israeli (Soltam), French (Brandt), and possibly also Finnish (Tampella) weapons. Some old British ML 2-inch and ML 3-inch mortars were still in Myanmar's armoury. It also included a number of obsolete U.S.-made 3.5-inch M20 rocket launchers.[30]

The army's field and anti-aircraft artillery also suffered from the problems of age, shortages of spare parts and ammunition, and a lack of suitable transport. The BA inventory in 1988 included about 50 old British 25-pounder (88mm) field guns and some 5.5-inch (140mm) medium guns. For howitzers, the BA relied on about 100 Yugoslavian 76mm M48 B1 mountain guns obtained in the 1950s, and about 100 U.S.-made 105mm M101 howitzers delivered under the MAP. The army also maintained about 60 anti-tank guns of different types and vintages (mainly old British 57mm 6-pounders and 76.2mm 17-pounders). There has been a report that in 1987 the army took delivery of a number of ex-Soviet 122mm BM-21 multiple rocket launchers (MRL) from Vietnam, but this has yet to be confirmed.[31] Myanmar's air defence artillery consisted of 10 British Bofors 40mm L60 Mk.1 anti-aircraft guns and a number of 3.7-inch Mk.3A towed anti-aircraft guns provided by the U.K. in the late 1940s or early 1950s.[32] A number of old Yugoslavian 20mm M38 anti-aircraft guns were also still in service. All these weapons were kept in good condition, under the circumstances, but the lack of all-weather roads made their deployment difficult, and ammunition shortages prevented sustained fire for any length of time.

Before 1988, the Burma Army's heavy equipment was also obsolete. There were about 25 World War II vintage British Comet medium tanks, 40 Humber one-ton armoured personnel carriers (APC), and 45 Daimler Ferret scout cars. Of the latter, Myanmar possessed two variants, one with a machine gun turret and one without.[33] All these armoured vehicles were supplied by the U.K. between the mid-1950s and mid-1960s. The army also maintained a fleet of about 80 old U.K.- or U.S.-made Universal T-16 tracked Bren-gun carriers, some with mounted 20mm Hispano-Suiza Mk.5 cannon.[34] The operational value of all these vehicles was very limited. Even if the Comet tanks were still serviceable, for example, the army lacked adequate heavy road transporters and had difficulty taking them to areas of operation far from their bases at Hmawbi and Meiktila.[35] Their utility was also greatly limited by their age and the nature of the terrain over which they usually had to operate. Armoured vehicles were occasionally

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deployed around major population centres during civil disturbances, however, to give the infantry greater firepower and to intimidate protesters.[36]

The army's road transport was provided by a similar mixture of old and new motor vehicles, including renovated Bedford trucks from the U.K., Willy's jeeps and Dodge weapons-carriers from the United States, German Unimog lorries, locally-assembled Hino 6.5-ton diesel trucks, Toyota DA-80 trucks, and Mitsubishi and Toyota four-wheel-drive vehicles from Japan. The demands made on these vehicles were immense, and they were further tested by the lack of sealed all-weather roads. In many border areas, there were no roads at all. Rail and riverine transport were also used to carry military supplies whenever possible, but their capacity was very limited. In the hills, pack mules were often used to carry heavy equipment, weapons and rations, and troops on operations usually moved on foot. It was also common Burma Army practice to force convicts and local civilians to act as porters, carrying ammunition and other supplies from rear areas to the frontline.[37] As one observer has noted, it was "an exceedingly antiquated way of fighting a well-trained and armed enemy in a terrain ideally suited for guerrilla warfare".[38]

When the SLORC took power, the army had been fighting insurgent groups and narcotics-based armies for forty years. The much vaunted "Four Cuts" (*Pya Ley Pya*) strategy introduced in the mid-1960s had initially succeeded in cutting off many insurgent groups from their sources of food, funds, intelligence and recruits.[39] It had the additional effect, however, of driving them further into the rugged frontier areas of Burma where they were much harder to dislodge. The forced resettlement of villagers and scorched earth policies associated with the "Four Cuts" programme continued, but were much less effective.[40] After the mid-1970s, the BA was strong enough to dominate the country's lowland areas and put down protests in the urban centres, but it did not possess the manpower, firepower, mobility or infrastructural support necessary to occupy all disputed territory, or to achieve decisive results against any of the major insurgent groups. As Martin Smith has noted, most military analysts calculate that to achieve victory against well-established guerrillas, the government forces need to outnumber them by at least ten to one. Yet before 1988, the BA was faced with a combined insurgent opposition of at least 25,000 to 30,000 armed regulars.[41] The ratio was barely five to one.

As a consequence, the Yangon government reverted to a strategy of isolation and attrition, hoping to cut off the insurgents' sources of supplies and wear away their strength until the army could either defeat them on the battlefield or force them to negotiate. Hamstrung by all its deficiencies, however, (and other problems like the annual monsoon), the army found that its own strength and staying power was also being tested. It was

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difficult for the BA to mount more than one or two major operations each year, or to sustain them for any extended period. Moreover, lacking the numbers and resources, the army was forced to tackle rebel groups individually, hoping not to be faced with more than one major campaign in different parts of the country at the same time. The regime did not have the airlift capacity needed to move troops long distances quickly and, without either an adequate road network or cross-country vehicles, found it difficult to bring its heavier equipment to bear on the insurgents' well-defended bases. In the skirmishes and assaults which came to characterize counter-insurgent operations in Myanmar, the army was frequently outgunned by its opponents, who often enjoyed better sources of supply, shorter lines of communication and greater support from the local population.[42] Insurgent groups were also given periodic respites from the fighting and the opportunity to recover their strength.

As 1988 drew to a close, the prospect for the military regime was one of continued bitter fighting with a similar lack of results. It was a situation the SLORC was determined to change.

The Myanmar Army after 1988

In the seven years since the SLORC's takeover, the Myanmar Army has grown from about 170,000 to over 265,000 in all ranks. At the beginnning of 1995, the main combat element consisted of 223 infantry battalions.[43] There were also four armour battalions, seven artillery battalions and seventeen independent artillery companies. The number of anti-aircraft artillery battalions had risen to two.[44] Of the infantry battalions, 145 were in garrison with the Regional Commands, under 32 TOCs. The remainder were shared between the Light Infantry Divisions. It is always difficult to arrive at an accurate order of battle for Myanmar but, by any estimate, it was a remarkable expansion in a very short time.

During the same period, the SLORC introduced a number of changes to the army's command structure and the deployment of its forces. After September 1988, Myanmar's most senior military officer became the SLORC's Chairman, Prime Minister and Defence Minister, as well as Commander-in-Chief of the Armed Forces. Thus, Senior General (SENGEN) Than Shwe (and before him SENGEN Saw Maung) exercises both political and operational control of the armed forces at the most senior level.[45] In practice, however, the SLORC tends to act as a collegiate body and major decisions are reached by consensus. Furthermore, given the Chairman's many political duties, it is likely that his more routine responsibilities as Defence Minister have been shifted to his subordinates. Since May 1989, each service has had its own Commander-in-Chief and Chief of Staff.

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The Army Commander-in-Chief, now a full General (GEN), also acts as Deputy Commander-in-Chief of the Armed Forces.[46] At the War Office in Yangon, the bureaucratic structure has remained essentially the same as before, except that the heads of the two major divisions, the Commanders of Special Operations and the Director of Defence Services Intelligence have both been promoted to Lieutenant-General (LTGEN) rank.[47]

All Regional Commander positions in Myanmar have been raised to the level of Major-General (MAJGEN). And, with the formal demise of the BSPP in 1988, they have become Chairmen of local Law and Order Restoration Councils. They have, thus, been vested with both military and administrative responsibility for their command areas. In addition, in early 1990 a new regional command was formed in Myanmar's northwest, facing India. The ten are now Yangon Command (covering Yangon Division), Southern Command (Pegu and Magwe Divisions), Southeastern Command (Mon and Karen States, and Tennasserim Division), Southwestern Command (Irrawaddy Division), Central Command (Mandalay Division), Western Command (Arakan and Chin States), Eastern Command (southern Shan State), Northeastern Command (northern Shan State), Northwestern Command (Sagaing Division), and Northern Command (Kachin State). Eight Regional Commands have two TOCs, while two have four TOCs.[48]

A number of additional army formations have been created, including two new Light Infantry Divisions. The 11th LID was formed in December 1988, and the 101st LID in 1991. Each has three TOCs. There are now at least twenty-three independent engineer companies and nine signals companies.[49] The number of military intelligence companies has also increased, from as few as twelve before 1988, to twenty-three by mid-1992. These new intelligence units have been assigned not only to potential centres of civil unrest like the cities and major towns, but also to posts along the Chinese, Indian and Bangladeshi borders.[50] Other army units have also been assigned to these border areas. As one journal reported in 1992:

> Before 1988 . . . Burma's borders with Bangladesh and India were covered by five battalions of regular infantry. Today the same zones are covered by more than 32 battalions. Shan State in Burma's north-east has also seen a build-up of government strength, with about 20 of the newly formed battalions stationed there.[51]

In addition, the twenty or so infantry battalions which formerly carried ethnic designations have been given purely numeric titles. This is presumably to emphasize the country's need for unity, despite its diverse ethnic composition.

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The rapid increase in the Myanmar Army's numbers after 1988 was initially achieved through a vigorous recruitment campaign, carried out mainly in impoverished rural villages where young men had little chance of regular employment. Many recruits were attracted by the promise of a cash payment on enlistment, and later access to the relatively generous pay, privileges and perquisites which they understood were enjoyed by members of the armed forces in Myanmar. Moreover, recruiting standards appear to have been lowered. Before 1988, about half of all applicants who wanted to join the army were rejected as medically unfit, or unsuitable in other ways. To all intents and purposes, this practice has been abandoned. For example, the official minimum age for joining the army is eighteen, but some recruits accepted by the SLORC (usually for two-year periods) have been as young as fifteen years old.[52] There have also been reports of the MA enlisting orphans and other homeless children, counting on their gratitude to ensure continuing loyalty to the military regime.[53] A major propaganda campaign was launched in the government-controlled news media to attract other recruits, by appealing to their sense of duty and national pride.[54]

These measures appear to have achieved some initial successes, but the number of recruits later fell away and other measures had to be introduced. Since 1993, for example, there have been persistent reports that every village in Myanmar has been required to provide at least one recruit for the army.[55] If it is still unable to fill all the vacancies created by the army's rapid expansion, the regime could invoke Myanmar's 1959 National Service Law, which permits the conscription of all citizens (male and female) between the ages of eighteen and forty-five, for two years of military service.[56] The 1974 BSPP constitution also states that all Myanmar citizens shall undergo military training and undertake military service for the country's defence.[57] Yet, the SLORC appears reluctant to take such a dramatic step. Given the strong feelings against the army held by most people in Myanmar since the 1988 massacres, the regime probably fears having large numbers of resentful men and women in the ranks who could disrupt military operations. They could even turn their training and weapons against the regime itself.

It is relevant in this regard that, since 1988, considerable efforts have been made to expand the size and functions of the paramilitary People's Police Force (PPF). Completely discredited in the eyes of both the public and the military regime after 1988 (albeit for different reasons), the PPF has been significantly expanded and reorganized. By the beginning of 1995, the PPF numbered more than 50,000 officers and men, compared with only 38,000 in 1988.[58] Its ranks and organizational structure have been more closely aligned with those of the armed forces. The most senior PPF

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positions have been filled with field grade army officers and "unity of purpose and fraternal ties among all 'armed units' have been repeatedly stressed in both the army and the police".[59] As the Union Military Police used to be before 1962, the PPF is now in effect an extension of the armed forces, the main task of which is to help prevent civil unrest in the country's population centres.

It was in part to equip these much larger forces that, soon after it took over government, the SLORC embarked on a massive arms purchasing programme.[60] The first country to come to the regime's aid appears to have been Singapore. According to the *Far Eastern Economic Review*, in early October 1988 hundreds of boxes marked "Allied Ordnance, Singapore", were unloaded from two vessels of Myanmar's Five Star Shipping Line in Yangon's port.[61] This shipment reportedly included mortars, ammunition and raw materials for Myanmar's arms industries. Among the ammunition stocks said to be provided by Singapore were 84mm rockets for the army's M2 Carl Gustav recoilless guns, which were made by Chartered Industries of Singapore under licence from Forenade Fabriksverken in Sweden.[62] In August 1989, Singapore was again accused of providing arms to the SLORC when weapons and ammunition originating in Belgium and Israel were transshipped to Myanmar, apparently with the assistance of a newly-formed Singapore-based joint venture with the Myanmar military regime.[63] There have been reports that these latter shipments included second-hand 40mm RPG2 grenade launchers and 57mm anti-tank guns of Eastern bloc origin. One well-informed Myanmar-watcher has suggested that this equipment may have been from Palestinian stocks captured in southern Lebanon by Israel in 1982, and resold to Myanmar.[64] More recently, Singapore companies are said to have sold the SLORC M16A1 automatic rifles and 5.56mm ammunition, in defiance of U.S. export laws.[65]

In an obvious attempt to outflank India, Pakistan was also quick to take advantage of the SLORC's need to restock its armoury. In January 1989, a senior official from Pakistan's arms industry reportedly visited Myanmar to offer the military regime weapons and ammunition.[66] Two months later, a delegation of senior Myanmar officers led by Air Force Commander-in-Chief MAJGEN Tin Tun made an unpublicized visit to Islamabad. An agreement was apparently reached for Pakistan to sell the SLORC 150 machine guns, 50,000 rounds of ammunition and 5,000 120mm mortar bombs.[67] Not long after the first deliveries of these arms were made, unexploded mortar bombs bearing the marks of the government-owned Pakistan Ordnance Factory were recovered by Karen insurgents from the battlefields along Myanmar's eastern border.[68] Further arms shipments from Pakistan were reportedly halted by Prime Minister Benazir Bhutto, but they were resumed under her successor, Nawaz Sharif. Later shipments

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reportedly included additional mortars, rocket launchers, assault rifles and ammunition valued at about US$20 million. Before the practice was stopped by the United States, many of these weapons were siphoned off foreign arms shipments sent to Pakistan for the *mujahideen* in Afghanistan.[69] Pakistan may have also provided Myanmar with the 106mm M40 A2 recoilless rifles which the MA now has mounted on some of its jeeps.[70]

These munitions were supplemented by later shipments of small arms and ammunition from other suppliers. Since 1989 Myanmar has reportedly placed orders with China for some 10,000 7.62mm Type 56 assault rifles, 40mm RPG-7 rocket-propelled grenade launchers, 82mm and 122mm mortars (probably Type 67 and Type 55), as well as 57mm and 75mm recoilless guns (probably Type 52 and Type 56).[71] Ammunition was supplied for all these weapons, together with 62mm and 66mm HEAT projectiles.[72] China also provided the Myanmar Army with radar and communications equipment, night vision devices and military parachutes.[73] In late 1990, North Korea sold Myanmar 20 million rounds of 7.62mm rifle ammunition.[74] In 1992, a Portuguese arms manufacturer reportedly sold the regime some US$1.5 million worth of arms and ammunition, despite a European Community arms embargo against Myanmar. Included in the shipment were 120mm heavy mortars, 81mm medium mortars, and possibly some 60mm light mortars. There were also said to be at least 20,000 mortar bombs and artillery shells in the order.[75] Israel has provided at least one consignment of Uzi 9mm submachine guns.[76] While specific shipments have not been identified, Czechoslovakia, South Africa and South Korea have all reportedly provided additional arms and ammunition.

Since 1988 the Myanmar Army has also obtained a wide range of heavier equipment.[77] To modernize and strengthen its armoured warfare capabilities, for example, the SLORC has purchased about 185 tanks and some 250 APCs, all from China. These orders have probably included 85 Norinco Type 69II main battle tanks and 105 Type 63 light tanks. (The latter is the Chinese version of the Soviet PT76 light amphibious tank). The APCs appear to be from the Norinco Type 85 family of armoured vehicles.[78] Myanmar is also building its own light reconnaissance vehicles and armoured personnel carriers, using largely Japanese components.

The Chinese are also reported to have sold Myanmar more than 100 artillery pieces over the past seven years. These weapons probably include 122mm howitzers, anti-tank guns and at least 30 Norinco 107mm Type 63 multiple rocket launchers (MRL). It is possible that some 130mm Type 63 MRL have also been supplied.[79] For ground-based air defence, the SLORC has purchased at least 24 Chinese 37mm Type 74 twin-barrel towed anti-aircraft guns, with their associated mobile generators, radars and directors. There have also been a number of reports that the army has taken delivery

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of some Norinco twin 57mm Type 80 self-propelled anti-aircraft gun systems. There is evidence to suggest, however, that the latter order was in fact for about 12 Norinco single-barrel 57mm towed anti-aircraft gun systems, complete with radars and directors.[80]

Included among these arms deals with China was a large quantity of Hongying HN-5 man-portable, shoulder-launched surface-to-air missiles (SAM).[81] This weapon has a heat-seeking guidance system, like the Soviet SA-7 "Grail" SAM on which it is based. The SLORC is also reported to have taken delivery of at least one second-hand Bloodhound surface-to-air missile system from Singapore, complete with Scorpion target illuminating radars.[82] This sale, however, has still not been confirmed.

The Myanmar Army has also acquired a wide range of new road transport and heavy duty vehicles. China alone has provided about 1,000 vehicles since 1988, including 6.5-tonne Aeolus trucks, five-tonne Jiefang trucks, two-tonne Lan Jian trucks, two-tonne Kungi trucks, and about 300 other heavy duty machines. The latter appear to have included some tank recovery vehicles, armoured bridge layers and a number of wheeled tank transporters.[83] In addition, the SLORC has purchased a number of Star 266 road cranes and Star 12.5-ton trucks from Poland.[84] Other purchases since 1988 include Nissan Container Carriers, Nissan five-tonne diesel trucks, and Nissan Patrol four-wheel-drive general purpose vehicles, all from Japan, and possibly some AR-51 Zastava light all-terrain vehicles from Yugoslavia.[85]

Deliveries of the new Chinese equipment began almost as soon as the first arms deal was signed, with the arrival in Yangon in August 1990 of a Chinese freighter carrying small arms and ammunition, radars and anti-aircraft weapons.[86] For most of the Chinese equipment, however, the SLORC was forced to wait until the completion in October 1992 of a large new bridge over the Shweli River, near the Myanmar–China border. An extensive programme of road and bridge building on both sides of the border has also been undertaken, with a view in part to expedite further arms deliveries.[87] By the end of 1993, arms were said to be flowing into Myanmar from China "at a faster pace than at any time since the first deliveries took place in August 1990".[88]

Attention has also been given to the Myanmar Army's increased training requirements. Included in the SLORC's first large arms deal with China, for example, was an agreement that some 400–600 officers and men would undertake instruction in China. Much of this training was for the maintenance and operation of the new Chinese equipment prior to its delivery.[89] There have also been several reports that, at one stage, up to 75 Chinese instructors were working in Myanmar itself, including a number directly advising troops in the field.[90] There have also been unconfirmed reports that in 1991 Pakistan sent a number of instructors to

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Myanmar to help the MA become more familiar with those items of Chinese equipment which were also operated by Pakistan. Pakistan Army instructors may have also provided Myanmar with special forces training, including airborne training, at the MA's airborne school at Hmawbi.[91] The Singapore Armed Forces (SAF) have developed a very close relationship with the Myanmar armed forces since 1988, and provided training (in Singapore) for a MA parachute display team.[92] It is possible that Singapore companies have also provided training packages with computer equipment which they are said to be installing in Myanmar's War Office.[93] Other sources have claimed that military instructors from Vietnam and Israel have been seen in Myanmar.[94]

There is no doubt that a large number of Myanmar Army officers and men have been sent to China for training on the MA's new equipment. Chinese officials have even admitted as much.[95] The presence of foreign military instructors in Myanmar itself, however, is much more difficult to confirm. When questioned about the matter, spokesmen for both the SLORC and the other countries concerned have strongly rejected the idea.[96] Certainly, some claims appear rather implausible. The Myanmar Government has also always been fiercely independent, and the army is intensely proud of its long military tradition. It is unlikely that the SLORC would feel it necessary or even desirable to seek foreign assistance in this way, except in certain areas where new technology was being introduced into service. This may have required some additional instruction by foreign military personnel in Myanmar itself but, if so, it is unlikely that they would be permitted to stay in the country any longer than was necessary.[97]

The New Myanmar Army

With its increased numbers, new weapons, more plentiful supplies of ammunition and greater mobility, the Myanmar Army in 1995 must be considered a much more formidable force. Arguments over the exact numbers aside, it is now one of the largest ground forces in Southeast Asia.[98] It is also better equipped than at any time in its history. Thanks to its fifty years of continuous active service, it has more direct experience of combat in the field than many comparable countries. Indeed, some regional observers have described it as "the toughest, most effective light infantry jungle force now operating in Southeast Asia".[99] Even the Thais, not known to praise Myanmar lightly, have recently described the MA as "skilled in the art of jungle warfare".[100] Given its development over the past seven years, the MA should also be able to perform a much wider range of conventional defence roles.

At first sight, these assumptions would appear to be well justified.

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During the 1991–92 dry season, for example, the SLORC was able to conduct concurrent campaigns against ethnic minorities along the borders with Thailand, Bangladesh and India. From the scope and nature of these operations, it was clear that the Myanmar Army had benefited greatly from its expansion and modernization programme.[101] Its new-found strength was confirmed during later campaigns, including the 1994–95 dry season offensive against the Karen insurgent strongholds of Manerplaw and Kawmura.[102] There were several reasons for the army's victories in 1995, when so many earlier offensives against the Karen had failed, and some were clearly unrelated to improvements in the armed forces.[103] Yet this latter campaign still demonstrated that the MA was in a position to concentrate its strength more quickly, bring much greater force to bear on its enemies, and sustain its operations longer than had been the case in the past. The size of the campaign, the rapid reinforcement of the units deployed, and the sustained fire from recoilless guns, mortars and artillery against the Karen camps, for example, all suggested better logistics structures, improved road transport, heavier weapons and increased ammunition stocks.[104]

On paper at least, the army's conventional defence capabilities should also have improved. Not only is the MA now much larger, but it is more mobile and has greatly improved armour, artillery and air defence equipment inventories. Its command, control, communications and intelligence (C^3I) systems have been expanded and refined. Myanmar may still have relatively modest weapon systems compared to its larger neighbours, but it is now in a much better position to deter external aggression and to respond to such threats should they arise. That said, doubts must still be held about the Myanmar Army's ability to capitalize fully on its larger numbers and arms acquisitions. This applies as much to the conduct of counter-insurgent operations as to the performance of larger scale, conventional defence roles.

Not surprisingly, the rapid expansion of the army since 1988 has placed it under considerable strain. Many units seem to be well under strength and training has suffered badly. There is a serious shortage of qualified and experienced officers and non-commisioned officers (NCOs), a problem compounded by the SLORC's clear preference for the army's higher ranks to be filled by ethnic Burmans.[105] The 1991–92, 1992–93 and 1994–95 dry season offensives against various ethnic insurgent groups (notably the Karens) may have demonstrated some of the army's new material strengths, but they also highlighted a number of major shortcomings in its doctrine, tactics and leadership. There have been persistent reports, for example, of large-scale assaults being launched with insufficient combat intelligence, inadequate planning and poor co-ordination of all the units involved.[106] In the 1990-91 and 1991-92 dry season campaigns against the

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Karens, and the 1993–94 offensives against the drug lord Khun Sa, "human wave" tactics still appear to have been used, with Myanmar Army officers forcing very young, inexperienced and poorly trained soldiers to mount mass assaults against heavily fortified defensive positions manned by tough and resourceful guerrillas. MA casualties from all these campaigns were reported to be very high.[107]

In these circumstances, it is hardly surprising that there have been persistent reports of low morale and a lack of commitment in the army's ranks, particularly in the field. During operations against Karen insurgents in the Irrawaddy River delta in 1991, for example, local commanders were apparently ordered to "shoot deserters on the spot".[108] A Myanmar Army operational order captured by the Karen National Union the following year ordered officers not to lead their men from the front, but to "use stick to force them forward".[109] Young MA soldiers captured by Karens during the 1991–92 and 1994–95 dry season offensives along the Thai border complained of poor training, inadequate rations and low morale. Some fifteen-year-old recruits claimed that they were given whisky by their officers to bolster their courage before being sent to the front. Karen insurgents have often claimed that MA soldiers appear to be drugged before being sent into battle.[110] It is common for MA prisoners and deserters to complain of brutal treatment from their officers.[111] Even allowing for a certain amount of self-serving exaggeration on the part of both captors and captives, these and other reports point to serious deficiencies in training, leadership and morale.

Some of these problems seem to have arisen because the Myanmar Army has rejected its British military traditions and relies instead on the styles of command and instruction which it learnt from the Japanese during World War II.[112] This approach emphasizes centralized control, rigid discipline and unquestioning obedience to orders, rather than the encouragement of innovation and initiative, or attention to personnel welfare. In addition, concerns about the political reliability of soldiers likely to be called upon to shoot unarmed demonstrators, or to destroy rural villages, seem to take priority over attention to purely military skills. The very strict regime enforced within the ranks, however, is matched by an extraordinary licence in the field. In another echo of past Japanese military practice, there have been numerous reports of Myanmar Army officers permitting their men to loot, rape, torture and even murder civilians, while on active duty.[113] This behaviour often appears to be part of a deliberate strategy to terrorize the local population and ensure its submission to Yangon. Quite apart from the serious human rights issues raised, to many professional observers this kind of leadership undermines the soldiers' discipline and morale, and thus detracts from their military efficiency.

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There are problems at the higher levels too. There appears to be considerable antagonism, for example, between those officers on active service in the field and those assigned to more comfortable administrative or political duties in rear areas. While this may not be unusual in itself, the much greater hardships experienced by the frontline troops in Myanmar and the increased opportunities for personal profits in the rear, gives this issue added significance.[114] There have also been repeated reports of suspicion and rivalry between the graduates of Myanmar's prestigious Defence Services Academy (DSA) at Maymyo and the Officer Training School (OTS) at Hmawbi.[115] After the discovery of a plot by some DSA graduates to overthrow President Ne Win in 1976, these suspicions increased, and have had a marked effect on appointments to senior positions. This discrimination in itself seems to have led to further tensions within the Myanmar Army officer corps.[116] Differences have also arisen over Ne Win's patronage of certain individuals and the degree of Chinese influence which has been tolerated since 1988.[117] So far, a workable balance seems to have been maintained between different factions, but such divisions constitute a potentially explosive problem in a country where the unity of the army is deemed essential for political control.

All these problems may be manageable in a protracted civil war in which the central government enjoys certain military advantages, can isolate its enemies (both physically and politically), and feels it can ignore international opinion. These circumstances may not apply, however, in a war against an external aggressor, where such shortcomings could be very costly. Moreover, the Myanmar Army lacks any real experience in large-scale conventional operations. There were a number of major campaigns against *Kuomintang* units in northern Myanmar during the 1950s, and some later engagements against insurgent groups had the flavour of set-piece battles.[118] Yet, for many years the army has been occupied with defeating tough, well-armed but relatively small bands of guerrillas concentrated in remote rural areas. A command structure of two BSOs, ten LIDs and ten Regional Commands may be well-suited to the conduct of counter-insurgency operations, but would be put under real strain if ever called upon to manage a large-scale conventional conflict. Even joint operations have been difficult, as demonstrated by the lack of co-ordination between the army and air force during annual dry season offensives against ethnic insurgents.[119] The PPF and relatively ineffective People's Militia aside, Myanmar has no strategic reserve nor, it appears, any national mobilization plan.[120] The Myanmar Army would probably fight hard and well, but defending a country the size of Myanmar against co-ordinated attacks by a well-prepared force armed with modern weapons would be a completely new experience for the MA, which would test it severely.

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Nor can the army's new weapons and equipment be counted upon to tip the scales in Myanmar's favour. While perhaps suited to Myanmar's current low level of technological development, none is state-of-the-art, and there are some major capability gaps. In addition, despite the overseas training provided, the major part of the army still seems to find its recent acquisitions unfamiliar and, in some cases, difficult to handle. There has already been a number of complaints, particularly about those items provided by China. According to Bertil Lintner:

> The artillery pieces were clumsy and heavy and misfired frequently. The armoured vehicles broke down often and were in any case useless against the rebels who operate in Myanmar's mountainous frontier areas. Chinese army trucks were not nearly as good as the Japanese-supplied Hino and Nissan vehicles which the Burmese army also uses.[121]

There have also been problems with maintenance and spare parts. In fighting against the drug lord Khun Sa in mid-1993, Myanmar Army troops were still said to be out-gunned by members of the rebel Shan State Army and Mong Tai Army.[122]

Some of the army's problems lie in the nature of the country itself — its size, its physical geography and the climate. Other difficulties, however, can be laid at the door of the military regime in Yangon. Myanmar's international isolation and the failure of Ne Win's "Burmese Way to Socialism" between 1962 and 1988 prevented it from modernizing the armed forces and from building a comprehensive network of all-weather roads, railways and airfields. The steadfast refusal of the central government to contemplate any meaningful political settlement with Myanmar's ethnic minorities has encouraged separatist tendencies. Insurgent groups have also been strengthened by the harsh treatment meted out to the minority peoples by the military regime. Since 1988, a more serious effort appears to have been put into winning the allegiance of the ethnic populations, or at least neutralizing ethnic military forces.[123] Infrastructure projects have been undertaken in some border areas and cease-fire agreements have been reached with as many as fifteen insurgent groups.[124] This has released army resources for operations against the remaining fifteen, most of which are quite small.[125] Yet no lasting political settlements have been reached, and the potential remains for the internal security situation in Myanmar to deteriorate again very quickly.

It is possible that an increased exposure to the military experiences and strategic thinking of other countries may help give the Myanmar Army officer corps greater insights into modern warfare, and a better perspective on their own activities. Before 1962, there was a regular programme of overseas training for officers of all three services. Most were

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sent to the United Kingdom (or U.K. bases in Malaya and Hong Kong), but a number attended courses in Australia, New Zealand, India, Pakistan, Israel and Yugoslavia.[126] After Ne Win's coup, such postings became much less frequent, although selected officers still attended overseas courses, including in the United Kingdom, the United States, West Germany and East Germany. Since 1988, overseas training has been geared to particular arms acquisitions, although a few Myanmar officers have been posted to staff colleges in regional countries like Malaysia and India. A class from the Malaysian staff college visited Myanmar in 1994. These sorts of contacts, however, have always been regarded with suspicion by Ne Win and his protégés in the military regime. A greater awareness of Myanmar's international isolation, a better understanding of how other armed forces operate, and more independent views on such matters as the organization of the army and the conduct of operations have always been seen as dangerous — even subversive — by the hierarchy in Yangon.

It is difficult to predict how the Myanmar Army will develop in the years ahead. One of the army's greatest vulnerabilities in the future will be the fractures in the officer corps, and low morale in the ranks. The apparent conviction that only the armed forces can provide Myanmar with the firm central government that it needs, an attachment to military privileges and a fear of retribution from an elected civilian administration, will all help to hold the army together. Within the officer corps, however, personality clashes, policy differences and competition for senior positions will cause severe strains. These tensions will probably increase when Ne Win dies. In addition, unless greater attention is given to the management of its men, the army will not be able to place confidence in their performance under fire, or even their continuing loyalty to the military regime in Yangon. This problem will grow as the army strays further from its traditional volunteer base, towards the recruitment — possibly even the conscription — of poorer, uneducated rural youths to fill its ranks.

Above all else, the Myanmar Army will be weakened by its almost complete alienation from the civilian population. Since the 1988 massacres of pro-democracy demonstrators, the MA has lost even those last shreds of respect which had survived the 1962 coup and Ne Win's subsequent abuse of power. The army's historical reputation as the guardian of the Myanmar people and protector of the Union has been irreparably damaged. Moreover, the predominance of ethnic Burmans in the army's higher ranks will further encourage the country's minority peoples to see the MA simply as an instrument of "big race" domination and oppression. As long as these issues are left unresolved, the army's real military capabilities will remain limited and its professionalism suspect.

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NOTES

* This article is based entirely on open sources and has no official status or endorsement. The views expressed in it are the author's alone.

1. After the creation of the SLORC in September 1988, the name of the country was officially changed from its post-1974 form, the "Socialist Republic of the Union of Burma", back to the "Union of Burma", which had been adopted when Myanmar regained its independence from the United Kingdom in 1948. In July 1989, the military regime changed the country's name once again, this time to the "Union of Myanmar", or "Myanmar Naingngan", a direct transliteration of the official name in the Myanmar language.
2. The SLORC currently lists 30 insurgent groups which have opposed the central government since 1988, but a number of others (including two armed communist forces) have been eliminated since 1948.
3. Some foreign observers have described the formation of the SLORC in September 1988 as a "coup", or at least an assumption of power by the armed forces. Despite the creation of numerous "civilian" political structures since the 1962 military coup, however, former General Ne Win and the armed forces have remained the real arbiters of power in Myanmar since that time. All that happened in 1988 was that the retired military officers in public office stepped aside, and permitted serving members of the armed forces hierarchy to assume direct control (albeit under Ne Win's continuing guidance).
4. Interview, Yangon, April 1995.
5. J.C. Lebra, *Japanese-Trained Armies in Southeast Asia* (Hong Kong: Heinemann, 1977), pp. 39–74. See also Andrew Selth, "Race and Resistance in Burma, 1942–1945", *Modern Asian Studies* 20, no. 3 (July 1986): 483–507.
6. As the army was formally known (in English) as the "Burma Army" between 1948 and 1988, this term has been retained for all references to the service during that period.
7. Hugh Tinker, *The Union of Burma: A Study of The First Years of Independence* (London: Oxford University Press, 1957), p. 323.
8. Accurate details of Myanmar's order of battle are always difficult to obtain. The most useful published guide is *The Military Balance* produced each year by the International Institute for Strategic Studies (IISS) in London. See also Michael Fredholm, *Burma: Ethnicity and Insurgency* (Westport: Praeger, 1993), pp. 82–84.
9. *The Military Balance 1988–1989* (London: International Institute for Strategic Studies, 1988), p. 159. Fredholm lists a total of 238 regular infantry battalions (p. 83). See also Tin Maung Maung Than, "Burma's National Security and Defence Posture", *Contemporary Southeast Asia* 11, no. 1 (June 1989): 48.
10. F.M. Bunge, ed., *Burma: A Country Study* (Washington: American University, 1983), p. 252.
11. Tin Maung Maung Than, "Burma's National Security and Defence Posture", p. 45. See also Fredholm, op. cit., pp. 81–82.
12. Ibid., pp. 81–82.
13. *The Military Balance 1988–1989*, p. 159.
14. Bunge, op. cit., p. 252.
15. Ibid., pp. 253–54.
16. Ibid. See also Fredholm, op. cit., p. 82. According to *The Military Powers Encyclopedia* (Paris: Societe I3C, 1991), p. 38, less than 5 per cent of the BA's active battalions were in the "ethnic" regiments. Moreover, despite their names, these regiments had all been ethnically integrated by 1984.

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17. *The Military Balance 1988–1989*, p. 159.
18. Fredholm, op. cit., p. 83. See also A Correspondent, "Reining in the Majors", *Far Eastern Economic Review*, 17 September 1987, p. 14; and Bertil Lintner and Robert Karniol, "Unrest Swells the Burmese Ranks", *Jane's Defence Weekly*, 13 June 1992, p. 1020.
19. This agreement was terminated by Myanmar in 1954, after the insurgent threat had diminished.
20. Between 1950 and 1994, the United States provided US$72.1 million in grants under the Military Assistance Program (MAP). Between 1950 and 1990, it also gave Myanmar about US$5.8 million under the International Military Education and Training (IMET) programme. During the mid-1970s Myanmar also received aircraft and other equipment under the U.S. International Narcotics Control Program. See *Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts, as of September 30, 1994* (Washington: U.S. Department of Defense, 1995), pp. 70–71 and pp. 94–95.
21. U.S.-Myanmar military relations were hostage to Myanmar's relations with China. Myanmar's refusal to renew its military aid programme with the United States in 1971, for example, was directly related to Yangon's resumption of normal ties with Beijing after a breach in mid-1967. See Chi-shad Liang, *Burma's Foreign Relations: Neutralism in Theory and Practice* (New York: Praeger, 1990), p. 168.
22. Bunge, op. cit., p. 254.
23. The following paragraphs draw on several sources, in particular *The Military Balance 1988–1989*, pp. 156–57; *The Military Balance 1994–1995* (London: International Institute for Strategic Studies, 1994), pp. 157–58; *Jane's Infantry Weapons 1987–88* (Coulsdon: Jane's Information Group, 1987), p. 945; *Jane's Infantry Weapons 1994–95* (Coulsdon: Jane's Information Group, 1994), p. 686; *Jane's Armour and Artillery 1987–88* (Coulsdon: Jane's Information Group, 1987), p. 866; *Jane's Armour and Artillery 1994–95* (Coulsdon: Jane's Information Group, 1994), p. 677; and Fredholm, op. cit., p. 84.
24. The BA63 is essentially the Heckler and Koch G3A3. There is also an improved version of the G3, known in Myanmar as the BA100, which is more accurate and reliable than the standard infantry weapon. The BA72 (also known as the G2) is based on the 7.62mm G3 but has a shorter barrel, retractable stock and larger magazine.
25. Some sources describe the U.S. rifles as the Armalite AR-10. This is the same as the Colt M-16, of which the M16A1 was a later refinement. The FN-FALs were surplus West German weapons provided to Myanmar in the early 1960s. (The G3 replaced the FN FAL as the standard German infantry weapon in 1959). The Germans dubbed the FN FAL the G1, a practice which the BA followed.
26. The BA52 has sometimes been confused with the World War II vintage British Sten-gun, or even the more modern British Sterling 9mm submachine gun. It is in fact a version of the Italian 9mm TZ45 submachine gun, first manufactured in 1945.
27. This was essentially the G3 automatic rifle fitted with a heavy barrel and bipod. The G4 replaced the British .303 calibre Bren general purpose machine gun, although there is strong evidence to suggest that Myanmar continued to use the Bren for some time, after modifying it to take 7.62mm NATO standard ammunition.
28. The MG3 is sometimes listed as the MG42/59. The Browning .50 calibre machine guns were probably Belgian-made FN Herstal weapons.
29. *DMS/FI Market Intelligence Report*, File 589, June 1995. See also Bertil Lintner, "An Export Backfires", *Far Eastern Economic Review*, 8 September 1983, pp. 26–27.
30. One foreign observer has claimed that the Myanmar Army was still using these 2-inch mortars against insurgents as late as 1990, although the ammunition was 30–40 years old and often failed to explode. See Tom Peterson, "Karen Kill Zone", *Soldier of Fortune*, March 1990, p. 31.

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31. *The Military Powers Encyclopedia* (Paris: Societe I3C, 1991), p. 37.
32. *Jane's Armour and Artillery 1981–82* (London: Jane's, 1981), p. 579.
33. Personal observation, Yangon, April 1995. See also James Smith, "Myanmar's Armed Forces: Retaining Power", *Jane's Intelligence Review* 3, no. 9 (September 1991): 188–89.
34. It had been thought by many that, by the late 1980s, these Bren-gun carriers had either been put into storage or phased out of service. They appeared on the streets of Yangon in 1988, however, when the SLORC deployed the army to crush the pro-democracy movement. See Bertil Lintner, *Outrage: Burma's Struggle for Democracy* (Bangkok: White Lotus, 1990), pp. 131ff.
35. Myanmar did, however, possess a number of Avitar tank transporters. Hmawbi is about 32 kilometres north of Yangon and Meiktila (another garrison town) is about 150 kilometres south of Mandalay.
36. Lintner, *Outrage*, p. 131. See also Andrew Selth, *Death of a Hero: The U Thant Disturbances in Burma, December 1974*, Centre for the Study of Australia-Asia Relations, Australia-Asia Paper No. 49 (Brisbane: Griffith University, 1989), p. 18.
37. The harsh treatment received by these porters has been graphically described on numerous occasions. See, for example, interviews broadcast by Australia's Special Broadcasting Service television network in its programme "Dateline" on 25 March 1995; and *The Kayin State in the Union of Myanmar: Allegations of Ill-treatment and Unlawful Killings of Suspected Political Opponents and Porters Seized Since 18 September 1988* (London: Amnesty International, 1989).
38. Martin Smith, *Burma: Insurgency and the Politics of Ethnicity* (London: Zed Books, 1991), p. 100.
39. Ibid., op. cit., pp. 258ff.
40. Indeed, by creating widespread antagonism against the army and attracting international criticism they were quite counter-productive. See, for example, Rodney Tasker and Bertil Lintner, "Second Coming", *Far Eastern Economic Review*, 15 July 1993, p. 24.
41. Smith, op. cit., p. 90. See also the useful summaries of Myanmar ethnic insurgent groups in Bertil Lintner, *The Rise and Fall of the Communist Party of Burma (CPB)* (Ithaca: Cornell University, 1990), pp. 105–8; and Martin Smith, *Ethnic Groups in Burma: Development, Democracy and Human Rights* (London: Anti-Slavery International, 1994), p. 34.
42. Smith, *Burma: Insurgency and the Politics of Ethnicity*, p. 100. Most insurgent groups were able to purchase modern weapons on the black market, drawing on funds generated by "taxes" imposed on cross-border smuggling operations. Other groups had access to much greater funds generated from the sale of narcotics. A few, like the CPB, received support from foreign governments.
43. *The Military Balance 1988–1989*, p. 159; and *The Military Balance 1994–1995*, p. 157. The U.S. embassy in Yangon is reported to have put the size of the Myanmar armed forces in 1995 at 400,000 men, but this figure seems too high. See *Burma Debate* 2, no. 3 (June/July 1995): 16.
44. Lintner and Karniol, "Unrest Swells the Burmese Ranks", p. 1020. In early 1995, however, the IISS listed only three armour battalions and one anti-aircraft artillery battalion. See *The Military Balance 1994–1995*, p. 157.
45. Facing a nervous breakdown, SENGEN Saw Maung relinquished his responsibilities as Defence Minister to his deputy, GEN Than Shwe, shortly before the latter replaced him as Chairman of the SLORC in April 1992. The rank of Senior General (five stars in the U.S. ranking) was created for the Commander-in-Chief in May 1990. See Tin Maung Maung Than, "Neither Inheritance nor Legacy: Leading the Myanmar State Since Independence", *Contemporary Southeast Asia* 15, no. 1 (June 1993): 60, note 128.

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46. The Commanders-in-Chief of the air force and navy are now at Lieutenant-General level (three-star rank), while all three Chiefs of Staff are at Major General (two-star) level.
47. A detailed table is given in Bertil Lintner, "Burma — Struggle for Power", *Jane's Intelligence Review* 5, no. 10 (October 1993): 470. See also *The Military Powers Encyclopedia*, p. 34.
48. Lintner, "Burma — Struggle for Power", p. 470. See also *The Military Balance 1994–1995*, pp. 157–58.
49. *The Military Powers Encyclopedia*, p. 37.
50. Lintner and Karniol, "Unrest Swells the Burmese Ranks", p. 1020.
51. Ibid.
52. Bertil Lintner, "Consolidating Power", *Far Eastern Economic Review*, 5 October 1989, p. 23. See also "Burmese Rebels Await a Foe's Lucky Number", *New York Times*, 22 March 1992; and "Troops Freed by Karen Army Fear Government Reprisals", *The Nation*, 11 January 1993.
53. Fredholm, op. cit., p. 83.
54. For example, Maung Myo Thu, "The Tatmadaw Wants You", *Working People's Daily*, 24 March 1993.
55. "Burmese Army to Conscript Youths", *Asian Defence Journal* (May 1993), p. 86. See also Smith, *Ethnic Groups in Burma*, pp. 118–99.
56. Some skilled professionals, like doctors and engineers, remain liable for military service until the age of 56.
57. Constitution of the Socialist Republic of the Union of Burma, Articles 170 and 171. Reprinted in A.D. Moscotti, *Burma's Constitution and Elections of 1974* (Singapore: Institute of Southeast Asian Studies, 1977), p. 117.
58. *The Military Balance 1988–1989*, p. 160; and *The Military Balance 1994–1995*, p. 158. *The Military Powers Encyclopedia* (p. 44) listed 58,400 members of the PPF in 1991, not counting the anti-riot police (or *Lon Htein*).
59. Tin Maung Maung Than, "Neither Inheritance nor Legacy", p. 60, note 126.
60. For details of arms and equipment obtained at the same time by Myanmar's navy and air force, see Andrew Selth, *Burma's Arms Procurement Programme*, Strategic and Defence Studies Centre, Working Paper No. 289 (Canberra: Australian National University, 1995).
61. "Singapore-made Arms for Rangoon", *Agence France Presse*, 26 October 1988; and Bertil Lintner, "Consolidating Power", p. 23. See also Lintner, *Outrage*, p. 140.
62. Martin Smith, "The Burmese Way to Rack and Ruin", Article 19, *Index on Censorship* 10 (1991): 45. See also Lintner, "An Export Backfires", pp. 26–27.
63. Smith, "The Burmese Way to Rack and Ruin", pp. 43–45. See also Lintner, "Consolidating Power", p. 23.
64. Bertil Lintner, "Myanmar's Chinese Connection", *International Defense Review* 27, no. 11 (November 1994): 26. See also Ron Corben, "Arms Deals Tighten Burma Junta's Grip", *Herald*, 9 December 1990; and Bertil Lintner, "Using the Aid Weapon", *Far Eastern Economic Review*, 17 November 1988, p. 34.
65. Lintner, "Myanmar's Chinese Connection", p. 26.
66. Interview, Yangon, April 1995.
67. Daljit Singh, "The Eastern Neighbour: Myanmar", *Indian Defence Review* (October 1992), p. 33. The Institute for Asian Democracy has claimed that Pakistan sold Myanmar 150,000 rounds of ammunition. See *Towards Democracy in Burma* (Washington: Institute for Asian Democracy, 1992), p. 58. Alan Boyd has stated that the deal also included 76mm and 130mm calibre mortar bombs ("Burma Arms Itself against Rebels in Secret", *Australian*, 18 May 1990).

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68. Bertil Lintner, "The Islamabad Link", *India Today*, 10 September 1989, pp. 60–61.
69. Bertil Lintner, "Hidden Reserves", *Far Eastern Economic Review*, 6 June 1991, p. 12.
70. Personal observation, Yangon, April 1995. These weapons are manufactured in Pakistan and are still in service with the Pakistan Armed Forces.
71. Bertil Lintner, "Rangoon's Rubicon", *Far Eastern Economic Review*, 11 February 1993, p. 28; See also Bertil Lintner, "Hardware for Hardliners", *Far Eastern Economic Review*, 1 December 1994, p. 12; Bertil Lintner, "Collective Insecurity", *Far Eastern Economic Review*, 3 December 1992, p. 22; and Lintner, "Myanmar's Chinese Connection", p. 26.
72. Personal observation, *Yangon*, April 1995.
73. Bertil Lintner, "Arms for Eyes", *Far Eastern Economic Review*, 16 December 1993, p. 26.
74. "Burma Buys AK-47 Rounds", *Jane's Defence Weekly*, 2 February 1991, p. 139. It is not clear why Myanmar did not purchase this ammunition from China. Martin Smith has suggested that the ammunition was destined for the United Wa State Army, an insurgent group in Myanmar's far north which has reached an agreement with the SLORC. Given the involvement of the Wa in the opium trade, which China is officially trying to stamp out, Smith feels it would have been too embarassing for the SLORC to ask China for the ammunition. See Smith, "The Burmese Way to Rack and Ruin", p. 45.
75. This manufacturer has been variously identified as either Industrias Nacionias de Defensa EP or Companhia de Polvoras e Municoes Barcarena SA. The European Community arms embargo took effect in July 1991. Bertil Lintner has claimed that the deal was arranged through a private Portuguese company, dealing with Singapore middle-men who did not divulge the final destination of the equipment. See "Portuguese Men-of-War", *Far Eastern Economic Review*, 12 November 1992, p. 8; and Lintner, "Myanmar's Chinese Connection", p. 26.
76. These weapons seem to have been distributed only to specialist units. The bodyguards of senior SLORC officials, for example, carry Uzis. It is possible that they are also used by a special anti-terrorist unit formed in 1986 to protect foreign embassies and to respond to terrorist incidents such as aircraft hijackings.
77. The following paragraphs have been drawn largely from the reporting of Bertil Lintner. In addition to those reports already cited, see "Lock and Load", *Far Eastern Economic Review*, 13 September 1990, p. 28; "Oiling the Iron Fist", *Far Eastern Economic Review*, 6 December 1990, p. 28; "Chinese Arms Bolster Burmese Forces", *Jane's Defence Weekly*, 27 November 1991, p. 11; and "$400m Deal Signed by China and Myanmar", *Jane's Defence Weekly*, 3 December 1994, p. 1. See also David Lague, "Evans Seeks Support for Ban on Burma", *Financial Review*, 27 May 1991; and Yindee Lertcharoenchok, "Beijing, Rangoon in $1.2 billion Arms Deal", *The Nation*, 27 November 1990.
78. Now known as Type 85 armoured vehicles, these machines were formerly designated the Type YW 531 H. Some sources have referred to the purchase of infantry fighting vehicles, but this appears to reflect confusion between different configurations of this type. See Lintner, "Myanmar's Chinese Connection", p. 23; and *Jane's Armour and Artillery 1994–95*, pp. 272ff.
79. Lintner, "Arms for Eyes", p. 26; and Lintner, "Rangoon's Rubicon", p. 28.
80. Personal observation, Yangon, April 1995. See also *Jane's Land-Based Air Defence 1994–95* (Coulsdon: Jane's Information Group, 1994), p. 293.
81. These were probably HN-5A versions. The Institute for Asian Democracy's figure of 55,000 HN-5A missiles seems too high. See *Towards Democracy in Burma*, p. 58.
82. "Air Forces Survey: Myanmar", *Asian Aviation* 14, no. 6 (June 1994): 36.

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83. Personal observation, Yangon, April 1995.
84. There has been speculation that some of this equipment, such as the tank recovery vehicles and bridge layers, are in fact of former Eastern bloc origin, and may have been provided by Poland or Yugoslavia.
85. Personal observation, Yangon, April 1995. See also *Jane's Military Vehicles and Logistics, 1995–96* (Coulsdon: Jane's Information Group, 1995), p. 770.
86. Lintner, "Myanmar's Chinese Connection", p. 12.
87. The infrastructure development along the China-Myanmar border has also been undertaken to facilitate cross-border trade, now estimated to be about US$1.5 billion per year, and still increasing rapidly. See, for example, Lintner, "Rangoon's Rubicon", p. 28; and Lintner, "Arms for Eyes", p. 26.
88. Lintner, "Arms for Eyes", p. 26.
89. Interview, Yangon, April 1995.
90. Karen insurgents, for example, have claimed that they have seen Chinese officers advising Myanmar troops at artillery bases near Manerplaw. Neil Kelly, "Burmese Soldiers Close in on Karen Rebels", *The Times*, 11 February 1992. See also "The China Connection", *Asiaweek*, 21 July 1993, p. 23.
91. Fredholm, op. cit., p. 89. See also "Air Forces Survey: Myanmar", p. 34.
92. Interview, Singapore, May 1995. This relationship was not mentioned in *Defence of Singapore 1994–95* (Singapore: Ministry of Defence, 1994), but nor does this official publication mention the "navigational" flights made to Yangon by SAF Lockheed C-130 and Fokker F-50 transport aircraft. There has also been an unconfirmed report that SAF personnel have undertaken training or intelligence operations in Myanmar. See David Lague, "Evans Seeks Support for Ban on Burma", *Financial Review*, 27 May 1991.
93. Interview, Singapore, May 1995.
94. *The Military Powers Encyclopedia*, p. 38 and p. 46.
95. Interview, Yangon, April 1995.
96. Interviews, Yangon and Singapore, April and May 1995.
97. Chinese Prime Minister Li Peng may have been correct when, during a visit to Myanmar in December 1994, he stated that China did not have any military personnel in the country. Any Chinese instructors sent to Myanmar before then may have completed their tasks and left. See "Li denies China's plans on expansion", *Times of India*, 29 December 1994.
98. According to the IISS, Vietnam is currently the only Southeast Asian country which would have a larger standing army. See *The Military Balance 1994–95*, p. 192.
99. "Terror on the Border", *Asiaweek*, 21 February 1992, p. 25.
100. *The Defence of Thailand 1994* (Bangkok: Ministry of Defence, 1994), p. 15.
101. This has been suggested by several observers. See, for example, Teresa Poole, "Refugees Flee Burma To Escape Army Offensive", *Independent*, 28 January 1992; Nick Cumming-Bruce, "Burma Batters Separatist Stronghold", *Guardian*, 11 February 1992; James Walsh, "The Dogs of War", *Time*, 17 February 1992, pp. 18–19; and Bertil Lintner, "Centrifugal Forces", *Far Eastern Economic Review*, 27 February 1992, p. 16.
102. The fall of Manerplaw is examined in Bertil Lintner, "Loss and Exile", *Far Eastern Economic Review*, 16 February 1995, p. 23; and "The Fall of Manerplaw", *Asiaweek*, 17 February 1995, pp. 31–32. See also Patrick Lescot, "Burma Launches Assaults on Rebel Base", *Australian*, 10 February 1995.
103. Of critical importance was a major split in the Karen insurgent forces, and the defection to the SLORC of hundreds of Buddhist Karen guerrillas. See, for example, William Ashton, "Karen Down But Not Out", *Asia-Pacific Defence Reporter* 21, no. 8/9

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(May/June 1994): 18. It is also significant that by this time the SLORC had reached truce agreements with most of the other major insurgent groups, thus freeing army resources from other parts of the country.

104. Interviews, Bangkok, April 1995. See also Yindee Lertcharoenchok, "Kawmura Falls to Rangoon Forces", *The Nation*, 22 February 1995.

105. Review Correspondents, "Masses in Revolt Against Stifling Authoritarian Grip", *Far Eastern Economic Review*, 25 August 1988, pp. 12–13.

106. See, for example, "Burmese Rebels Await A Foe's Lucky Number".

107. On all these matters see, for example, Peter Mitchell, "Karens Fight to Survive", *Asia-Pacific Defence Reporter* 17, no. 4 (October 1990): 15–19; Peterson, "Karen Kill Zone", pp. 26ff; Mike Williams, "Gutsy Karens Continue to Bloody Burmese Butchers", *Soldier of Fortune* (February 1990), p. 35; Edith Mirante, "Up Into Kachin Country", *Asiaweek*, 22 November 1991, p.22; and David Watts and Erskine McCullough, "Burmese Troops Bombard Rebel HQ", *Australian*, 25 February 1992.

108. Bertil Lintner, "Return to the Delta", *Far Eastern Economic Review*, 14 November 1991, p. 26. See also Alan Clements, "Dragon King's Fire", *Newsweek*, 7 April 1992, p. 72.

109. Karen National Union Department of Foreign Affairs Media Release, Manerplaw, 18 March 1992. See also "Blood on the Ridge", 13 March 1992, *Asiaweek*, p. 30; and Bertil Lintner, "Military Guns Silent", *Far Eastern Economic Review*, 28 May 1992, p. 26.

110. Similar claims are made by the SLORC about some of the ethnic forces. See "Burmese Rebels Await A Foe's Lucky Number"; Lindsay Murdoch, "Rangoon Tightens the Noose Around Defiant Karen Guerrillas", *The Age*, 30 January 1995; and "40 Die as Burmese Hit KNU Base", *Bangkok Post*, 9 February 1995.

111. Interview with Myanmar Army deserter, "Dateline", Special Broadcasting System television network (Australia), 25 March 1995. See also *Human Rights Yearbook, 1994: Burma* (Bangkok: NCGUB, 1995), pp. 73–75; and Clements, "Dragon King's Fire", p. 72.

112. The Japanese tradition has always been strong in the Myanmar Army. A Military Academy was established at Mingaladon, outside Rangoon, in 1942. Japanese Army manuals were used and all instructions were in the Japanese language. Until 1945 a number of Academy graduates were sent each year to Japan for further military training. After the military coup in 1962, most of the new Revolutionary Council (including General Ne Win himself) and many other senior Burma Army officers, were graduates of the Mingaladon Military Academy during the Japanese occupation. See Lebra, op, cit., p. 70.

113. See, for example, *Myanmar* (London: Amnesty International, 1990); Ron Corben, "Burma Defiant on Minority Purges", *Australian*, 1 February 1992; Lindsay Murdoch, "UN Report Enrages Burma Junta", *Sydney Morning Herald*, 4 February 1995; and *Human Rights Yearbook*, pp. 77ff.

114. See, for example, "Reining in the Majors", p. 14; and V.G. Kulkarni, "Straining At the Seams", *Far Eastern Economic Review*, 7 July 1988, pp. 16–18. It has been suggested, for example, that many senior army officers resent the power held by SLORC Secretary (1) LTGEN Khin Nyunt, because of his lack of combat experience. See Bertil Lintner, "Cracks in the Rock", *Far Eastern Economic Review*, 24 October 1991, pp. 11–12.

115. The DSA was established in 1955, and gives a four-year degree course for cadets chosen from among the best high school pupils. The OTS conducts four-month courses for university graduates, and 18-month courses for selected enlisted men. See Bunge, op. cit., p. 253; Lintner, "Burma: Struggle for Power", pp. 466–71; and Bertil Lintner, "Simple Soldiers", *Far Eastern Economic Review*, 1 July 1993, p. 24.

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116. Ironically, the plot was led by an OTS graduate. The most complete discussion of this problem is Lintner, "Burma: Struggle for Power", pp. 466–71.
117. Bertil Lintner, "Murmur in the Ranks", *Far Eastern Economic Review*, 18 February 1993, p. 20.
118. See, for example, Bertil Lintner, *Burma in Revolt: Opium and Insurgency Since 1948* (Boulder: Westview, 1994), pp. 101ff; and Tin Maung Maung Than, "Burma's National Security and Defence Posture", pp. 40–44.
119. "Karens Fight Off Massive Myanmar Army Assault", *Bangkok Post*, 14 March 1992. See also "Blood on the Ridge", p. 30.
120. Fredholm, op. cit., p. 82.
121. Lintner, "Myanmar's Chinese Connection", p. 26. See also "Myanmar and China: But Will the Flag Follow Trade?", *The Economist*, 8 October 1994, pp. 31–32.
122. See, for example, "The King of the Shan", *Asiaweek*, 15 June 1994, p. 26; and "Heavy Toll in Burmese Fighting", *Sydney Morning Herald*, 17 July 1993. See also Bertil Lintner, "Fighting Weather", *Far Eastern Economic Review*, 30 June 1994, p. 24; and "Burma", *Jane's Defence Weekly*, 30 July 1994, p. 19.
123. See, for example, "Buying Off the Enemy", *Asiaweek*, 9 March 1993, p. 27.
124. In return for an agreement not to attack the army, the insurgent groups in question have been permitted to retain their arms and control over their territory, including narcotics production. The SLORC has also undertaken to develop the infrastructure in these border regions. See, for example, *Measures Taken for Border Areas and National Races Development*, 2 vols. (Yangon: Central Committee for Border Areas and National Races Development, 1991?).
125. Interview, Canberra, June 1995.
126. Tinker, op. cit., p. 327; and Fredholm, op. cit., p. 77. See also Andrew Selth, "Australia's Defence Contacts with Burma, 1945–1987", *Modern Asian Studies* 26, no. 3 (July 1992): 451–68.

ANDREW SELTH is a Visiting Fellow at the Strategic and Defence Studies Centre, Australian National University, Canberra.

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The Political Economy of the Royal Government of Cambodia

RONALD BRUCE ST JOHN

After more than two decades of severe economic dislocation, the newly-installed Royal Government of Cambodia understandably placed a high priority on the renovation and rehabilitation of the national economy. To accomplish this, it developed an ambitious, comprehensive plan which was presented in March 1994 to the International Committee for the Reconstruction of Cambodia. The plan called for the initiation of a wide variety of new economic development programmes and projects even as Cambodia sought to consolidate gains achieved from earlier economic reforms. The results of this approach in the first one and a half years of its implementation, a period which the Cambodian Government itself described as crucial to the longer term success of the plan, have been very mixed. Modest success in some economic policies and sectors has been accompanied by less than desirable results in others. More importantly, the checkered progress achieved in the economic sphere has not been accompanied by similar advances in the political arena. The failure of the government to support and build upon the democratic precepts and institutions outlined in the 1993 Constitution threatens to undermine the entire economic development process.

Introduction

The implementation of economic reforms in Cambodia, a process cautiously initiated in the decade after 1979, increased dramatically in scope and intensity after 1989. The pace of economic reform accelerated further

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with the successful conclusion of general elections in May 1993 and the subsequent creation of the Royal Government of Cambodia.[1] Operating under the slogan "Le *Cambodge s'aide lui-meme*" or "Cambodia will help itself", one of the first undertakings of the Royal Government was the development of a complex, ambitious programme aimed at the economic rehabilitation of the Kingdom.

The success of this economic development plan, composed of separate but interrelated initiatives, depended on the ability of the Cambodian Government to orchestrate a total programme in which individual components complemented and reinforced each other.[2] Envisioned from the outset as an ongoing effort stretching well into the next century, the government deemed progress during the first eighteen months to be essential to success in the longer term. The Royal Government hoped to implement wide-ranging new rehabilitation and development projects even as it consolidated past gains.[3] A preliminary assessment of this eighteen-month period highlights the uneven progress as well as the severe challenges faced by the Cambodian Government in achieving the long-term objectives of its development strategy.

Strategy for Development

An absolute commitment to implement the mechanisms of a market economy, together with the fundamental change in the role of the government which this commitment implied, was at the core of the Cambodian Government's development strategy. The Constitution of the Kingdom of Cambodia, approved by the National Assembly in September 1993, formally adopted the market economy system. The new code accorded citizens the right to sell their products freely. The state was expressly prohibited from imposing on citizens the sale of private products to the state or the use of private products by the state unless authorized by law. The state, in turn, assumed responsibility for promoting economic development as well as managing and protecting the environment.[4]

Six months after the approval of the constitution, the Royal Government presented its national development plan to the International Committee for the Reconstruction of Cambodia (ICORC). The objectives of the *National Programme to Rehabilitate and Develop Cambodia* included social justice, national reconciliation, and economic growth. In support of these goals, the plan outlined five reinforcing strategies. First, the government aimed to promote economic stabilization and growth by creating policies and processes for long-term economic management. At the same time, it hoped to nurture foreign investment and private entrepreneurship. Secondly, the government planned to reform the administrative and judicial

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institutions of the state through a clarification of the roles and responsibilities of administrators, together with the establishment of effective and fair legal institutions.[5]

Thirdly, the Royal Government sought to ensure structural adjustment and sectoral reform through the creation of codes of commerce and investment. It also planned to integrate the Cambodian economy into both regional and world economies. Fourthly, it aimed to provide direct support for sustained development by addressing infrastructure needs, expanding access to social services, and upgrading human skills. Finally, the government hoped to optimize the utilization of natural resources through conservation management and effective protection of the environment. The Cambodian Government recognized that the plan was ambitious and stated that success depended on the mobilization of the country's human, physical, and financial resources. It also stressed that Cambodia considered international financial support and technical assistance to be essential ingredients to success.

During the ICORC meeting, then Minister of Economics and Finance Sam Rainsy discussed the national programme with members of the international donor community. Declaring the move from a centrally-planned to a market-oriented economy to be irreversible and irrevocable, Rainsy highlighted the key reforms necessary to achieve this result. Among them, he cited the creation of a comprehensive legal framework, transformation of the state apparatus to mirror development of the private sector, disengagement of the state from most commercial activities, and continuation of the privatization programme. To encourage investment, he promised a new investment law, and he pledged to move Cambodia from a regulated and controlled economy to one based on tariffs and incentives.[6]

The goals and timetable established by the Royal Government for its national plan were extremely aggressive and very ambitious, given the recent economic history of Cambodia. Devastated by years of war and civil strife, Cambodia during the Democratic Kampuchea period was subjected to a radical social, political, and economic revolution. Isolated from the outside world, its cities were emptied, its religions and folk culture attacked, its economy dismembered, and a substantial number of its citizens killed. At the time of the Vietnamese invasion in 1979, there was no government administration, no system of education, no currency, almost no industry, and the agricultural sector was in disarray. Economic conditions improved over the next decade, despite the debilitating effects of the international embargo; nevertheless, at the outset of the 1990s, the economy remained the single most pressing problem for the Phnom Penh government.[7]

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Promote Economic Stabilization and Growth

In support of the policies of the Royal Government, the National Assembly, in December 1993, unanimously adopted both a national budget and new finance laws which collectively set the stage for a sound economic policy. The new regulations included a single national budget, prepared and executed annually, and the closure of all bank accounts held by individual ministries or other government bodies. All revenues were to be remitted to the National Treasury and all expenditures disbursed by the National Treasury. In effect, the new law on financial structures stripped government ministries, provincial authorities, and powerful individuals of long-exercised rights to collect taxes independent of the national government. The new finance laws also separated responsibility for the authorization of public expenditures from the subsequent disbursement of cash, and it provided for improved security and greater transparency for the management and sale of state assets.[8]

The Cambodian Government also moved to rationalize the tax collection system in an effort to increase the amount of revenue collected and to make the taxation system more equitable. The Customs Department began to collect both import duties and the consumption tax where in the past the Tax Department had been responsible for the latter. The Ministry of Economics and Finance later unveiled a new tax package intended to improve the balance between direct and indirect taxation and to reduce an unhealthy dependence on customs revenues. At the time, tax revenues approximated only 6 per cent of gross domestic product (GDP) compared to 25–30 per cent in a more normal situation, and customs duties provided some 54 per cent of total revenues while 15–20 per cent would have been more representative. The new taxation measures included a streamlined tax on profits, extension of the real estate rentals tax, and a new turnover (sales) tax.[9]

Tax reform continued throughout 1994 in an effort to increase tax revenues and to broaden a revenue base which remained heavily dependent on customs duties. The introduction of additional taxes, which included an increase in the airport departure tax and duties on petroleum products, dramatically raised tax revenues. At the same time, revenues from customs duties also increased as a result of a higher volume of imports and the move to a CIF (cost, insurance, freight) basis to value imported goods. The tax base was again widened in early 1995 when new finance laws clarified the profits tax enacted earlier and imposed a personal income tax.[10]

Recognizing the importance of confidence in the banking system for an effective monetary policy, the *National Programme* expanded efforts

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to transform the banking system into a modern financial sector. The People's National Bank of Cambodia had acted as both a central bank and a commercial bank until 1992 when the government reorganized the bank and implemented a commercial banking law. Aimed at transforming the National Bank into a genuine central bank, new regulations provided for the establishment and regulation of commercial banks, in particular the branches of foreign banks operating in Cambodia.[11]

In March 1994, Minister of Economics and Finance Sam Rainsy remarked that the monetary policy of Cambodia was devoted to fighting inflation, stabilizing the riel, and improving the National Bank's regulatory capacities. He added that regained confidence in the riel and the financial institutions of Cambodia would also facilitate the dedollarization of the economy. He also emphasized that the Cambodian Government had already implemented a liberal foreign exchange regime and a unified foreign exchange market, introduced a 5 per cent reserve requirement on bank deposits, and required banks to show minimum paid-up capital. He concluded that the near term goals of the government included the enactment of a new central bank law guaranteeing independence for the National Bank, a revised financial institutions law, and a more liberal foreign exchange law.[12]

The new banking legislation assisted regulators, under pressure from the International Monetary Fund (IMF) and international donors, to take strong measures on a troubled banking and financial services sector. In May 1995, the National Bank of Cambodia announced that the Credit Bank of Cambodia (CBC), owned by expatriate Cambodians, would close after it sustained heavy losses in futures trading. The National Bank charged that the CBC had failed to comply with banking laws stipulating a minimum legal capital requirement of 10 billion *riel* (US$5.0 million). It also accused the CBC of other irregularities, including a failure to report assets and liabilities and to appoint an auditor. The closure was hailed by international bankers and businessmen who said that a clean-up was needed to build confidence in the banking system. The National Bank closed a second bank less than two months later and targeted the remaining banks operating in Cambodia for audits by local and international firms. A new National Banking Law, approved by the Council of Ministers in mid-1995, awaited promulgation by the National Assembly.

Structural Adjustment and Sectoral Reform

The Royal Government, as suggested earlier, attached a high priority to integrating the Cambodian economy more closely into regional and global economies. To achieve this result, it planned to develop the external trade

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sector, pursue regional initiatives, and attract foreign private investment. In so doing, it clearly recognized the close interrelationship and mutually reinforcing character of its various objectives. On the one hand, export promotion, import substitution and foreign investment had an important role to play in the reconstruction of Cambodia. On the other hand, achievement of the desired levels of integration and foreign investment depended largely on the revival of productive sectors, the rebuilding of physical infrastructure, the creation of a modern financial system, and the maintenance of political and economic stability.

Radsady Om, Chairman of the Foreign Affairs Committee of the National Assembly, in a June 1994 interview, emphasized that the structures and procedures of the existing investment law should be streamlined to make investment in Cambodia more attractive. The draft investment law circulating in Cambodia at the time provided for both joint ventures and wholly-owned legal entities or branches. The Council for the Development of Cambodia (CDC) and the National Committee for Investment (NCI) were assigned responsibility for implementation. The NCI was directed to make licensing and incentives decisions within thirty days of receiving a properly completed application. Ownership of land in Cambodia was vested only in Cambodian nationals or in corporate persons in which more than 50 per cent of the equity capital or voting rights were controlled by Cambodian nationals. On the other hand, foreign nationals were permitted to use land through long-term leases of up to a period of thirty years, renewable for an additional twenty-year period.[13]

A draft investment incentives law, which established the criteria necessary to receive incentives, was also circulated in June 1994. Investments which annually exported 90 per cent or more of their in-country production or which were located in designated regional development areas or industrial zones were eligible for a four-year profit tax exemption. Investments meeting both criteria were eligible for a six-year exemption. The law also outlined import duty exemptions for a period of three years after registration and called on the NCI to make incentives decisions within thirty days of receiving an application.[14]

The new investment law, adopted by the National Assembly in August 1994, differed significantly from these earlier drafts. It combined investment and incentive provisions rather than separated them as the Minister of Economics and Finance had recommended. The law designated the CDC as a "one-stop" service organization responsible for the rehabilitation, development and oversight of investment activity. The CDC comprised the Cambodian Rehabilitation and Development Board (CRDB), and the Cambodian Investment Board (CIB). The latter was required to provide an investment response to all investor applications within a maximum period

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of forty-five days, not the thirty-day period originally proposed. Investment incentives outlined in the new law included exemption in whole or in part of duties and taxes to include a corporate tax exemption of up to eight years, a corporate tax rate of 9 per cent, or 100 per cent import duty exemption.[15]

The terms of the new investment law were more liberal than similar statutes in place in Laos and Vietnam, and the response from investors was positive. In January 1995, the CIB circulated a list of fifty-seven private investment projects, totalling US$2.2 billion, approved after the passage of the new law. However, an estimated US$1.3 billion of the total involved a single deal with Ariston, a Malaysian company, to develop a resort complex in Sihanoukville. While the agreement constituted the largest single investment to date in Cambodia, critics of the project questioned the usefulness of a casino to 9 million Cambodians, some 80 per cent of whom were poor farmers. In addition, the issue of political stability continued to plague Cambodia, and charges of corruption tainted the contract-approval process. In the first half of 1995, the CIB reportedly approved seventy new private investment projects worth more than US$400 million. Two hotels and a cement company dominated the list, which also included food processing, building materials and garment industries.[16]

In the external sector, the Cambodian Government removed an obstacle to free trade with the elimination of import licences in late 1993. It also commenced negotiations with the United States government for the enjoyment of Most Favoured Nation (MFN) status. Cambodia was denied MFN status in 1975 by Executive Office action, and its trade status was subsequently confirmed by Congress in the 1988 Trade Act. The eventual achievement of MFN status will have a positive impact on the growth of the Cambodian economy as it will lower import duties imposed on most Cambodian products shipped to the United States by up to 40 per cent. Similarly, membership of the Association of Southeast Asian Nations (ASEAN), in which Cambodia enjoys observer status, will boost economic growth because it will enable Cambodia to participate more broadly in regional economic affairs.

Environment and Conservation Management

In the *National Programme*, the Royal Government attached considerable significance to managing the reconstruction of Cambodia in a sustainable way and in making environmental improvement a principal indicator of the success of the overall programme. Short-term objectives included strengthening the technical capacities of the Secretariat of State for the

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Environment, completing provincial land use studies, drafting a comprehensive environmental law, and strengthening enforcement capabilities at all levels. Sectoral targets centred on the development of strategies for drainage, irrigation, and sanitation requirements; sustainable forest exploitation, to include a ban on mangrove deforestation; land-mine clearance; and sustainable fisheries exploitation and conservation.[17]

The timber sector proved an especially interesting case because it focused attention on the widespread political resistance generated by government attempts to restructure financial regulations and institutions. Economic reforms in Cambodia won loud praise from investment analysts, international lending institutions and donor states; but the traditional power brokers of Cambodia were not pleased to see their incomes and influence eroded. The Royal Government eased temporarily the timber export ban put in place earlier by the Supreme National Council. At the same time, it implemented new procedures designed to increase national treasury receipts and reduce damage to the environment. The revised procedures required any company intending to export timber to obtain an export permit from the Ministry of Foreign Affairs or an export licence from the Ministry of Agriculture, Forestry, and Fisheries.

Largely as a result of the new control measures, timber exported in the first three months of 1994 generated government revenues close to US$23 million, compared to total revenues of only US$8 million for the whole of 1993. At the same time, security problems prevented Cambodian customs officials from inspecting a number of frontier crossing points on the Thai–Cambodian border. The amount of timber stockpiled in or exported through these border areas was unknown but thought to have been substantial. Thai customs statistics for 1993 indicated that the amount of timber imported by Thailand from Cambodia alone was more than the total amount of wood licensed for export by the Cambodian authorities.[18]

In late June 1994, the two prime ministers of Cambodia issued a decree which transferred the responsibility for overseeing lucrative logging contracts from the Ministry of Economics and Finance to the Ministry of National Defence. The decision, which generated intense domestic and international criticism, was in direct contravention of the new Budget Law which stated that all state revenues must be remitted directly to the National Treasury. The decree also contravened government agreements with international lending bodies, like the IMF, which had called for the centralization of government spending. The decree was reversed two months later, but the Ministry of National Defence reportedly continued into October 1994 to issue licences for the export of timber.[19]

In late February 1995, the government announced a ban on raw timber exports, to be effective at the end of April. Only processed timber

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could be exported after that date. The government hoped this move would encourage investment in the country's timber processing industry and thus increase local employment and raise export tax revenues. At the same time, the government reserved several million hectares of land for forestry concessions to domestic or foreign companies provided they met regulations for sustainable forest management and investment in infrastructure. The Malaysian logging company, Samling, signed a memorandum of understanding for covering 800,000 hectares, and the Indonesian Panin Group later concluded a deal for 1.5 million hectares. When both agreements came under attack from environmental groups, the timber sector highlighted the complex problems faced by the Cambodian Government in implementing its economic and development policies.[20]

The precious stones industry proved even more difficult to regulate than the timber sector. The richest gemstone deposits were located in Battambang province around the town of Pailin which had long been dominated by the Khmer Rouge. Government forces briefly occupied Pailin in March 1994 but were unable to hold the town. Reports in early 1995 suggested that the number of Thai companies working with the Khmer Rouge to exploit the gemstone deposits had more than doubled since the latter reoccupied the area. In addition to the loss of customs revenues, the mining in the area reportedly threatened serious ecological damage to the region and the rivers flowing through it.

Aquaculture proved yet another threat to the Cambodian environment as seaside mangrove forests, among the richest and most diverse ecosystems in the world, were increasingly destroyed for shrimp farms and charcoal production. Tropical and sub-tropical mangroves, often described as the rainforests of the ocean, are nurseries and spawning grounds for commercial fish stocks. The mangrove forests in Koh Kong province of Cambodia are among the finest remaining in Southeast Asia. In the light of what has happened to similar forests in neighbouring states like Thailand and Vietnam, environmentalists have called for prompt action to curtail shrimp and charcoal production in the region. In a related move, the Cambodian Government formed a National Wetland Committee and agreed to sign the Ramsar Convention, an international convention on the preservation of wetland areas.[21]

Administrative and Judicial Reform

The final development strategy to be discussed, that is, the reform of the administrative and judicial institutions of the state, involved strengthening government institutions through clarification of roles and responsibilities, reform in corporate functions, and improved co-ordination between central

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and provincial administrations. It aimed to overhaul the civil service and to promote an effective work-force which accepted the merit system and respected human rights. Finally, it promised to establish a fair and efficient judicial system.[22] Ironically, it was in this area of administrative reform that expectations for improvement, in and outside Cambodia, were highest while sustained progress proved most difficult.

A detailed discussion of the concepts of political culture and political development is beyond the scope of this article. However, an introduction to them would help to explain the contradictory results achieved in the area of administrative reform. The term "political culture" refers to orientations and attitudes towards the political system as well as to attitudes towards the role of self in that system. In other words, political culture is the particular pattern of orientation to political action in which every political system is embedded. We can thus speak of a political culture in Cambodia, just as we can speak of an economic culture or a religious culture. Key elements of political development include an increasing number of contributing citizens, an associated spread of mass participation, and a heightened sensitivity to the principles of equality. Political development also entails an increased capacity in the political system to manage public affairs, control controversy, and respond to popular demands.[23]

The UNTAC-sponsored elections, concluded in the summer of 1993, were a unique achievement. For the first time in history, millions of Cambodians voted freely and fairly, and the majority voted against an armed, incumbent regime. Nevertheless, the elections proved insufficient in themselves to establish a solid foundation for democratic institutions and practices in a still immature body politic. In fact, it remains difficult today to determine exactly what the Cambodian people voted for, apart from peace. Instead of accelerating political development and spawning change in the political culture of Cambodia, the elections led to a reassertion of the policies and practices of old. Those in power mostly continued to practise politics as usual, often evidencing the familism, cupidity, narrow horizons, and reluctance to absorb or tolerate opposing points of view prevalent in the Sihanouk and Lon Nol periods. For Cambodia to prosper, its political culture must change; consequently, the prevailing trend was a discouraging one which hampered progress, not only in the area of administrative and judicial reform, but in Cambodia's overall development programme.

The case of Sam Rainsy, the architect of the nation's economic reform programme, illustrated the difficulties involved in changing the political culture of Cambodia. As Minister of Economics and Finance, his efforts to root out official corruption and to centralize revenue collection and the national budget were widely heralded abroad. At home, they caused

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a storm of protest from politicians, entrenched business interests and the armed forces, and sparked early efforts at the highest levels of government to have him removed from office. Eventually, his critics won and Sam Rainsy was sacked in a Cabinet reshuffle and then ousted from the National Assembly and the National United Front for an Independent, Peaceful, Neutral, and Cooperative Cambodia (FUNCINPEC) party in a government crackdown against dissent.

At the centre of the storm, Sam Rainsy was by no means the only critic targeted by the government. The editor of the newspaper *Voice of Khmer Youth* was sentenced to a year in jail for publishing a so-called false and defamatory article that allegedly undermined people's confidence in the government. A short while later, another editor was sentenced to a jail term for publishing an editorial which supposedly offended the dignity and reputation of the two prime ministers. The government argued increasingly that curbs were necessary to keep the press from acting irresponsibly and undermining the people's faith in their leaders. With a number of other government cases against the media pending, including one against the English language *Phnom Penh Post*, the National Assembly passed a controversial new press law in mid-1995 which provided heavy fines and imprisonment for reporting that damaged either national security or political stability.

The ouster of Sam Rainsy and the mounting pressure on the press were the culmination of several months of heavy-handed government efforts to neutralize any opposition. The National Assembly was turned into little more than a rubber stamp. Voices of even mild dissent reportedly received death threats. The court system, according to human rights lawyers and diplomats, was mostly controlled and directed by politicians. Official corruption was endemic. The widespread abuse of human rights, accompanied as it was by extensive evidence of corruption, made a mockery of the US$2 billion United Nations peace plan which had led to elections and the subsequent formation of the current government.

At the same time, violence continued to plague Cambodian society. Cambodian history is a chronicle of violence, as evidenced by the basreliefs at Angkor, the cruelties of nineteenth-century uprisings, the sordid political killings of Sihanouk, the Vietnamese massacres of Lon Nol, and the murderous purges of Pol Pot. Cambodia has never been a country at peace. Thus, it is not surprising that many studies of the Khmer Rouge era have found that Cambodians were not as shocked as outsiders with the violence of the period because it differed only in scale and intensity from past experience. This predilection to violence in Cambodia was much in evidence in the run-up to the 1993 elections and continued largely unabated after the installation of the Royal Government.[24]

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At the March 1994 ICORC meeting in Tokyo, a session which highlighted Cambodia's continuing battle against banditry, land-mines, and poverty, the thirty-one donor nations and twelve international bodies in attendance pledged US$777 million in aid to Cambodia, an amount which included funds pledged earlier but not yet disbursed. In the following year, political violence and human-rights abuses in Cambodia dampened the enthusiasm of donor bodies, many of which complained of so-called "compassion fatigue". While the Cambodian Government did its best to maintain the illusion of a state of law in a democratic framework, observers in and outside Cambodia were increasingly concerned with the gradual erosion of the human-rights legacy which the government had inherited from the United Nations administration. In consequence, donor organizations talked increasingly of tying additional aid to demonstrable progress towards a more democratic state. At the March 1995 ICORC meeting in Paris, a chorus of voices, including Amnesty International, Sam Rainsy, and the editor of the *Voice of Khmer Youth*, condemned the government's human rights record, accusing it of corruption and malfeasance. In the end, donors at the conference pledged some $700 million in aid for 1995 and a similar figure for 1996, but the meeting concluded for the first time without an official statement on a total aid package and with individual pledges less than the previous year.[25]

Trends and Prospects

The Royal Government pursued its economic goals in an environment of political uncertainty, both in terms of the Khmer Rouge insurgency and the political infighting among the leaders of the governing coalition; nevertheless, its overall performance in 1994 was credible if well below forecast. Some degree of macro-economic stability was achieved as government revenues increased while government expenditures were contained. GDP grew 4.9 per cent in 1994, which was a modest improvement over 1993 but well below the target of 7–8 per cent outlined at the ICORC meeting in Tokyo. The rate of inflation was 26.1 per cent, which was less than 1993, but fell well short of the 10 per cent target. The exchange rate remained relatively stable throughout the year, contributing to a stronger balance of payments position, and having a favourable impact on gross foreign reserves. Finally, the overall budget deficit was 6.2 per cent of GDP in 1994, which was an increase from 5.7 per cent in the preceding year. External economic assistance contributed significantly to Cambodia's fiscal achievements in 1994. The new investment law, in turn, stimulated business and investment through tax concessions and other incentives to investors.[26]

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The annual economic targets announced by the Cambodian government for 1995 included real GDP growth of 7–8 per cent, a rate of inflation of 5 per cent, and a current account deficit declining to 9 per cent of GDP. With many of the ingredients for a strong and stable economy in place or coming into place, the Council for the Development of Cambodia launched a regional tour to publicize the improved investment climate. In addition to a relatively stable exchange rate, GDP growth, and a low rate of inflation, CDC officials promoted the positive impact of ASEAN observer status, pending approval by the United States of MFN status, and growing confidence among foreign donors. They also touted the potential for an economic spillover into Cambodia from American investment in Vietnam, which was likely to increase with the recent restoration of diplomatic ties.

To advance its ambitious reform goals, the Cambodian Government must continue to make real improvements in revenue collection and tighten controls over government expenditure in order to reduce financing of the budget deficit by the National Bank. The government must also improve its institutional and macro-economic management capacities which call for upgraded technical skills in the line ministries as well as streamlined bureaucratic structures. Additional privatization of state-owned enterprises, combined with their operation on commercial principles and without government subsidies, would further assist in achieving economic balance. Finally, the government needs to establish a more conducive climate for private sector investment, including additional reforms to existing laws, procedures, and regulations governing such investment. Many regulations simply do not exist or remain incomplete, including land, contract, bankruptcy, arbitration-procedure, and administrative laws.

Conclusion

The development objectives of the Royal Government were clearly ambitious from the outset, especially for a state such as Cambodia wrecked in recent decades by extreme social, economic, and political dislocation and trauma. They were doubly difficult in the Cambodian case because the country was often building, as opposed to rebuilding, crucial sectors of its economy. In this challenging milieu, the Cambodian Government has made considerable progress in promoting economic stabilization and growth as it develops the fundamentals of a market economy. It has established a national budget, pursued sound macro-economic policies, improved taxation, and strengthened bank regulation. It has also progressed in the areas of structural adjustment and sectoral reform. Investment and commercial laws are in place or coming into place, and the level of

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integration into both regional and world economies has increased. Limited progress has also been made in the difficult and troubling realm of environmental and sustainable resource management.

The impact of the reforms put in place by the Royal Government has none the less seldom approached either official promise or popular expectation. The mere promulgation of laws is no guarantee that they will be implemented or enforced. The implementation of laws in Cambodia suffers from a shortage of financial and human resources. International aid has been largely focused on legal drafting and training, but as more laws are promulgated, this aid must shift to the implementation and enforcement of laws through open, transparent, and equitable administrative procedures. Progress in this area would take much of the political and legal risk out of the investment equation. In so doing, it would greatly benefit and advance the rule of law in Cambodia.

Unfortunately, government reform programmes continue to be undermined by the domestic political process as a disheartening and disturbing pattern of corruption, incompetence, and malfeasance has emerged which mirrors past practice and augurs ill for future performance. The United Nations Transitional Authority in Cambodia (UNTAC) failed to integrate sufficiently political education into the build-up to democratic elections; consequently, a new political culture supportive of the democratic process has yet to be created. Members of the government with a real commitment to the democratic system outlined in the 1993 Constitution are rare. Democratic procedures, respect for human rights, and concern for social justice are concepts bandied about but seldom implemented. Instead, the ruling parties have turned to the system of clans and clients so prevalent in the Sihanouk and Lon Nol eras. Access to power and wealth is sought and achieved through place and position, with connections most often determining the level of justice obtained.

The political culture of Cambodia thus remains a major obstacle to sustained economic reform and development. The problem is so acute as to threaten the entire reform process. No Cambodian regime since independence, with the possible exception of Democratic Kampuchea, has lived on its own resources. As the Royal Government recognized in the *National Programme*, outside aid is an essential ingredient to the overall success of its development strategy. As it is heavily dependent on external assistance, the failure to achieve political change, if it leads to donor fatigue and a concomitant reduction in aid, will sabotage Cambodian efforts to rehabilitate the economy.

A preliminary assessment of the political economy of the Royal Government of Cambodia evokes a sense of *deja vu*. Twin themes of continuity and transformation emerge from the analysis, with attempts to transform

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the economy frequently undercut by the continuity of malfeasance, corruption, and violence. The Cambodian proclivity for violence in the post-Khmer Rouge period is especially disheartening. The Cambodian economy has made excellent progress in recent times; however, to achieve stability and sustained growth, the political culture must also change. There is little evidence this is happening. Unless political reform accompanies economic reform, the Royal Government may yet have to substitute its motto, "*Le Cambodge s'aide lui-meme*", with the more familiar refrain "*Plus ca change . . . plus c'est la meme chose*".

NOTES

1. On economic reform before 1993, see Ronald Bruce St John, "New Economic Order in Indochina", *Asian Affairs: An American Review* 21, no. 4 (Winter 1995): 227–40.
2. The official title of the state and government of Cambodia has varied considerably over the last four decades. Unless reference to a specific regime adds clarity or emphasis, the author generally refers, throughout this article, to the country and government simply as Cambodia.
3. The Royal Government of Cambodia, *National Programme to Rehabilitate and Develop Cambodia*, Phnom Penh, February 1994, p. 1. The *National Programme*, presented to the International Committee for the Reconstruction of Cambodia (ICORC) in March 1994, provides the best introduction to the development strategy of the Cambodian Government. The details of the programme can be found in various government documents and agreements with friendly countries and organizations like the International Monetary Fund, World Bank, Asian Development Bank, and United Nations agencies.
4. The Royal Government of Cambodia, *Constitution of the Kingdom of Cambodia*, Phnom Penh, October 1993.
5. Both the vision and scope of the *National Programme* were impressive; otherwise, there was little new in the approach outlined by the Cambodian Government. The central ideas contained in the document had been discussed by one or more public or private bodies in the years leading up to the 1993 elections. See The World Bank, East Asia and Pacific Region, *Cambodia: Agenda for Rehabilitation and Reconstruction* (Washington, D.C.: The World Bank, 1992); United Nations Development Programme, *Cambodia's Rehabilitation Needs* (New York, 11 November 1991); and Robert J. Muscat, *Cambodia: Post-Settlement Reconstruction and Development* (New York: Columbia University, 1989).
6. Sam Rainsy, "Medium and Long-Term Development Needs of Cambodia: Progress in the Economic Reform Policy", mimeographed (2nd ICORC Meeting, Tokyo, 10 March 1994).
7. On the Cambodian economy during the period of the Kingdom of Cambodia, see Remy Prud'Homme, *L'Economie du Cambodge* (Paris: Presses Universitaires de France, 1969); David J. Steinberg, *Cambodia* (New Haven: HRAF, 1959), pp. 169–237; and Milton Osborne, *Before Kampuchea: Preludes to Tragedy* (London: George Allen & Unwin, 1979), pp. 112–26. For the period of the Khmer Republic, see Ros Chantrabot, *Le Republique Khmere (1970–1975)* (Paris: Editions L'Harmattan, 1993), especially

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pp. 93–108; and Justin Corfield, *Khmers Stand Up!* (Clayton: Centre of Southeast Asian Studies, Monash University, 1994). On the Pol Pot era, see David P. Chandler, Ben Kiernan, and Chanthou Boua, eds., *Pol Pot Plans the Future*, Monograph Series 33 (New Haven: Yale University Southeast Asia Studies, 1988), pp. 36–119; and Charles H. Twining, "The Economy", in *Cambodia 1975–1978*, edited by Karl D. Jackson (Princeton: Princeton University Press, 1989), pp. 109–150. For the People's Republic of Kampuchea and State of Cambodia periods, see Chanthou Boua, "Observations of the Heng Samrin Government 1980–1982", in *Revolution and Its Aftermath in Kampuchea*, edited by David P. Chandler and Ben Kiernan, Monograph Series No. 25 (New Haven: Yale University Southeast Asia Studies, 1983), pp. 259–90; Michael Vickery, "Notes on the Political Economy of the People's Republic of Kampuchea", *Journal of Contemporary Asia* 20, no. 4 (1990): 435–65; and Jacques Nepote and Marie-Sybille de Vienne, *Cambodge, Laboratoire D'une Crise* (Paris: Centre des Hautes Etudes sur L'Afrique et L'Asie Modernes, 1993), pp. 75–191.

8. Kingdom of Cambodia, Ministry of Economics and Finance, *Announcement No. 018* (Phnom Penh, 31 December 1993).
9. Kingdom of Cambodia, Office of the Minister of State, *Announcement Concerning the Profits Tax, House and Land Rent Tax, and Turnover Tax*, No. 012 (Phnom Penh, 9 March 1994).
10. Kingdom of Cambodia, Ministry of Economics and Finance, *Proposed New Taxes*, (Phnom Penh, 1 May 1994); and Asian Development Bank, *Asian Development Outlook 1995 and 1996* (New York: Oxford University Press, 1995), p. 97.
11. State of Cambodia, Council of State, "Banking Laws", mimeographed (Phnom Penh, 1992); and Cambodia, *National Programme*, pp. 11–13.
12. Sam Rainsy, "Medium and Long-Term Development Needs", p. 4.
13. Radsady Om, *One Year After the Election: The Position of Cambodia in the Southeast Asian Region* (Bangkok: Institute of Asian Studies, Chulalongkorn University, 17 June 1994); Kingdom of Cambodia, National Assembly, "Law on the Establishment, Operation and Protection of Investment in the Kingdom of Cambodia" (Final Draft), mimeographed (Phnom Penh, n.d.). Contrary to published reports, which over-emphasized Thai influence on the Cambodian investment code, the Ministry of Economics and Finance drew on a wide variety of Third World and First World investment codes to draft the Cambodian approach. Private interview with senior official, Ministry of Economics and Finance, Royal Government of Cambodia, Phnom Penh, 15 June 1994.
14. Kingdom of Cambodia, National Assembly, "Law on the Encouragement of Investment Through Investment Incentives" (Final Draft), mimeographed (Phnom Penh, n.d.).
15. "The New Investment Law", *Phnom Penh Post*, 12–25 August 1994. The organization and operation of the CDC was clarified in a sub-decree issued in mid-1995.
16. David Doran, "The Council for Development of Çambodia", *Phnom Penh Post*, 25 August–7 September 1995.
17. Cambodia, *National Programme*, pp. 40–42.
18. Kingdom of Cambodia, Ministry of Economics and Finance, *Revenue from Exports of Timber* (Phnom Penh, 27 April 1994).
19. Anugraha Palan, "Defence Secretly Holds Out on Logs", *Phnom Penh Post*, 21 October–3 November 1994.
20. Experts estimate that the amount of Cambodian land covered by forest has decreased from 70 per cent to 40 per cent in the last twenty-five years. Tricia Fitzgerald, "New Logging Contracts Dwarf Samling's Deal", *Phnom Penh Post*, 25 August–7 September 1995.

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21. Mang Channo, "Shrimp Farmers Ripping away Mangroves", *Phnom Penh Post*, 24 March–6 April 1995.
22. Cambodia, *National Programme*, pp. 16–22. Due to limitations of space, as well as the longer term focus of most programmes, the strategy related to sustained development, which centred on physical infrastructure improvements, increased social services, and upgraded human skills, will not be analysed in this article.
23. Lucian W. Pye, "Introduction: Political Culture and Political Development", in *Political Culture and Political Development*, edited by Lucian W. Pye and Sidney Verba (Princeton: Princeton University Press, 1965), pp. 3–26.
24. Sheri Prasso, "Cambodia: A Heritage of Violence", *World Policy Journal* 11, no. 3 (Fall 1994): 71–77.
25. Nate Thayer, "Compassion Fatigue", *Far Eastern Economic Review*, 16 February 1995, p. 19.
26. Asian Development Bank, *Asian Development Outlook*, pp. 97–98.

RONALD BRUCE ST JOHN is an independent scholar specializing in the political economy of developing states. He was last resident in Southeast Asia from 1987 to 1992 and remains a frequent visitor to Cambodia, Laos, and Vietnam.

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The Political Economy of Taiwan's Relations with Southeast Asia: The "Southward Policy"

SAMUEL C.Y. KU

When President Lee Teng-hui and Premier Lien Chan visited Southeast Asia in early 1994, Taiwan's "Southward policy" began to be known world-wide. Superficially, this policy is aimed at strengthening Taiwan's economic relations with Southeast Asian countries, but in reality the ROC Government intends to expand Taiwan–Southeast Asian economic linkages in exchange for Taiwan's political participation in regional organizations and activities. Yet, while Southeast Asian countries welcome Taiwan's economic resources (capital and technology), they hesitate to upgrade their political relations with Taiwan owing to their deference to China. This article suggests that while Taiwan exerts efforts at strengthening its relations with Southeast Asia, it should also promote practical relations with mainland China. In addition, the "Southward policy" should be seen as a long-term objective instead of a short-term programme.

Introduction

In November 1993, P.K. Chiang, Economic Minister of the Republic of China (ROC) announced Taiwan's "Southward policy" to the delegates of Asia–Pacific countries participating in the first summit meeting of the Asia-Pacific Economic Co-operation (APEC) forum in the United States. During the 1994 New Year holidays, the ROC's Premier Lien Chan paid a vacation visit to Malaysia and Singapore. One month later, in

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mid-February 1994, during the Chinese Lunar New Year holidays, President Lee Teng-hui visited another three ASEAN (Association of Southeast Asian Nations) states, including the Philippines, Indonesia and Thailand in what was variously called "holiday diplomacy", "informal visit", and "private visit". This was the first time that President Lee had privately visited countries having no formal diplomatic relations with the ROC.[1] On 19 March 1994, the ROC's Executive Yuan passed the "Operation Outline for Strengthening Economic and Trading Relations with Southeast Asia", which formulated the so-called "Southward policy". According to this Operation Outline, the ROC Government's "Southward policy" intends to achieve four objectives:

1. expand two-way economic, trading, and investment relations with Southeast Asian countries;
2. assist Taiwan's enterprises to find beneficial production and distribution bases in Southeast Asia, expand their management sizes, and reduce the degree of trade dependence upon mainland China;
3. help Southeast Asian countries, based on the principle of mutual benefit, to create job opportunities, raise people's annual incomes, and encourage economic prosperity, thus strengthening Taiwan's substantial relations with Southeast Asian nations; and
4. participate in the activities of international economic organizations in Southeast Asia.

The first three objectives of the ROC's "Southward policy" are economically oriented, while the last is political. Superficially and officially, Taiwan's "Southward policy" is focused on economic goals. In reality, it is the author's contention that the ROC Government intends to strengthen economic and trading relations with Southeast Asian countries in exchange for Taiwan's political participation in international organizations in the Asia-Pacific. Taiwan's economic achievements have been recognized worldwide, but its political status in international society does not parallel those achievements. It is true that Taiwan needs to maintain and expand its economic development in order to survive in the world economy. It is even more important for the ROC Government to obtain equal political status in the global community.

Since his inauguration in January 1988, President Lee has been actively promoting a so-called "pragmatic diplomacy". Under the guidance of this policy, the ROC Government has officially denounced its long-held "one China policy". Since then, Taiwan has sought equal status with the People's Republic of China (PRC) in both formal diplomatic recognition and in international governmental organizations. This "pragmatic diplomacy" is underpinned by Taiwan's economic resources, including

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investment, trade, economic aid, and technical co-operation. Some countries, mostly in Africa and the Western Pacific, have established and restored diplomatic relations with the ROC because of the latter's "economic diplomacy". Yet, because of the PRC's diplomatic blockade, the ROC's "pragmatic diplomacy" has its limitations. Taiwan's economic resources are only attractive to developing and less developed countries – countries which are usually not particularly useful for promoting Taiwan's political status globally. But the world scene is always changing. Since the end of the Cold War, regionalism has been rising. Economic development has once again become the hot issue world-wide. Located southeast of mainland China, Taiwan has geographical advantages in the Western Pacific, linking Northeast Asia with Southeast Asia. Taiwan's economic relations with Southeast Asia have been growing since 1987. Certainly, Taiwan is playing an important economic role in Southeast Asia and the wider Asia–Pacific. But can Taiwan transform its economic achievements into higher political status on the international stage? This is the backdrop to the ROC's "Southward policy".

This article will answer questions related to four issues. The first set of questions revolve around the political factors affecting the "Southward policy"? Why has the ROC Government initiated it and at this particular time? And why has the ROC Government chosen Southeast Asia to practise its diplomacy? Secondly, what are the economic factors behind the "Southward policy"? How has the ruling Kuomintang (KMT) government exerted efforts to strengthen economic relations with Southeast Asian countries? Thirdly, the article will evaluate politically the "Southward policy". What is the political situation in the Asia–Pacific region against which the "Southward policy" has been initiated? How does mainland China perceive the "Southward policy"? Is the "Southward policy" helpful for elevating Taiwan's political status in the world? Fourthly and finally, the economic impact of the "Southward policy" will be explored. What can Taiwan achieve from the "Southward policy"?

Political Analysis of the "Southward Policy"

The ROC's "Southward policy" might be better understood from the perspective of political economy. In their book, *The Political Economy of Change*, Warren Ilchman and Norman Uphoff defined five political resources: economic goods, status, information, coercion, and authority.[2] Domestically, President Lee has used his personal status to gain mass support for the "Southward policy". Internationally, his government has been integrating all its economic resources in exchange for a better political

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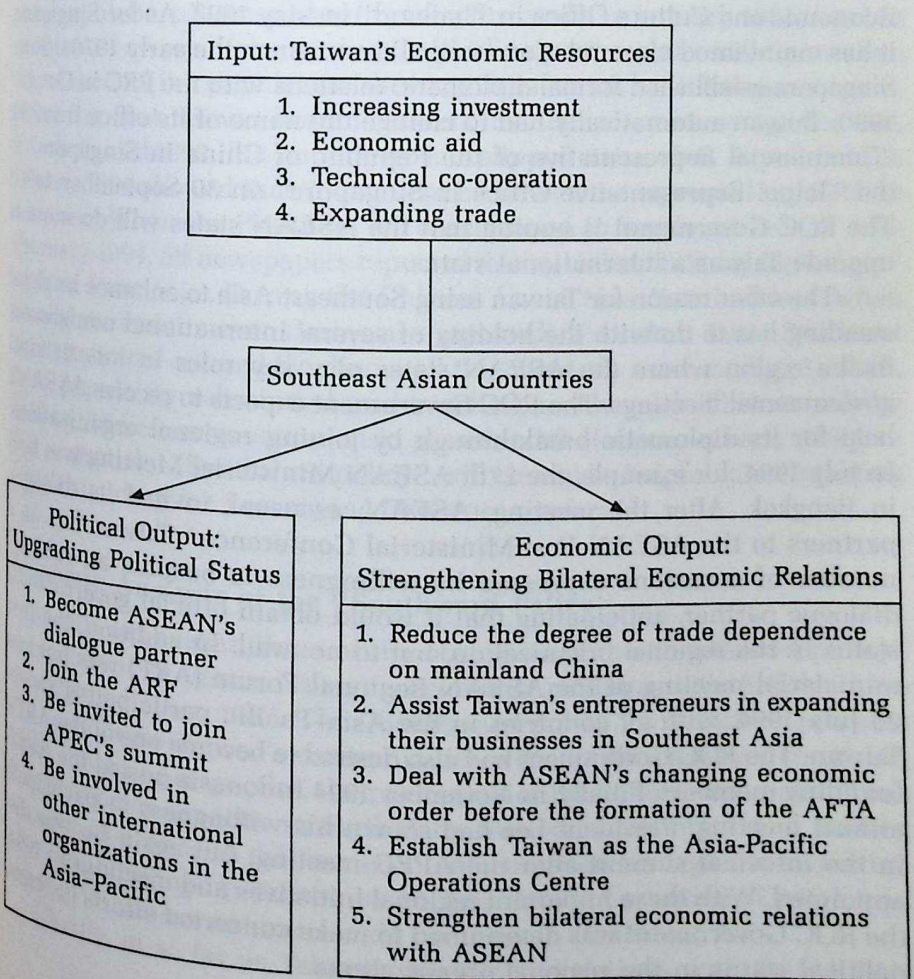
status for Taiwan from Southeast Asian countries. Figure 1 explains the input and output of Taiwan's "Southward policy".

Taiwan's desire for higher international status is understandable. But, it is necessary to explore why the ROC Government has chosen Southeast Asia as a test in establishing a diplomatic breakthrough. There are two reasons. First, the ASEAN states have, since 1987, improved their unofficial relations with Taiwan because of the latter's increasing trade and investment relations with Southeast Asia, with Taipei demanding that the Southeast Asian countries make some changes regarding bilateral political relations. The ASEAN-Five (Brunei and Vietnam excepted) have

FIGURE 1
Framework of the ROC's "Southward Policy"



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not only upgraded the status of Taiwan's representative offices in their countries but have also authorized more diplomatic privileges for Taiwan's delegates (unofficial diplomats stationed in foreign countries).[3] For instance, the Chinese Chamber of Commerce in Jakarta, Taiwan's previous institute in Indonesia, was renamed the "Taipei Economic and Trade Representative Office in Indonesia" on 10 October 1989. Taiwan's office in Malaysia also changed its name in 1988 from the "Far Eastern Trade and Culture Center in Kuala Lumpur" to the "Taipei Economic and Culture Center in Malaysia", and was further changed in 1992 to the "Taipei Economic and Culture Office in Malaysia". The name of Taiwan's office in the Philippines was also changed, from the "Pacific Economic and Culture Center in Manila" to the "Taipei Economic and Culture Office in the Philippines", in December 1989. In Thailand, the name of Taiwan's institute was changed from the "Far Eastern Commercial Office in Thailand" to the "Taipei Economic and Culture Office in Thailand" in May 1992. As for Singapore, it has maintained close relations with Taiwan since the early 1970s. Since Singapore established formal diplomatic relations with the PRC in October 1990, Taiwan automatically had to change the name of its office from the "Commercial Representative of the Republic of China in Singapore" to the "Taipei Representative Office in Singapore" on 30 September 1990.[4] The ROC Government is hoping that the ASEAN states will do more to upgrade Taiwan's international status.

The other reason for Taiwan using Southeast Asia to enhance its global standing has to do with the holding of several international conferences in the region where the ASEAN states play key roles in international governmental meetings. The ROC Government expects to receive ASEAN's help for its diplomatic breakthrough by joining regional organizations. In July 1994, for example, the 27th ASEAN Ministerial Meeting was held in Bangkok. After the meeting, ASEAN, as usual, invited its dialogue partners to the ASEAN Post-Ministerial Conference.[5] Taiwan has on a number of occasions expressed its willingness to become an ASEAN dialogue partner, anticipating that it would obtain official governmental status in the regional organization, but to no avail. In addition, the first ministerial meeting of the ASEAN Regional Forum (ARF) was held on 25 July 1994, with all countries in the Asia–Pacific participating except Taiwan. The ROC Government had also desired to become one of the ARF's founding members. Finally, in November 1994 Indonesia hosted the APEC annual meeting. President Lee had shown his willingness to participate in the informal summit after the APEC meeting, but again he was disappointed. With these important regional initiatives and meetings in 1994, the ROC Government was determined to make concerted efforts to obtain political status in the regional organizations.

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While the ROC's status in the international community might be low, President Lee's personal status and reputation in Taiwan is relatively high. Status has become a very important political resource for President Lee in promoting the "Southward policy". Domestically, the "Southward policy" is politically meaningful — for both the Kuomintang (KMT) regime, and for President Lee himself. The KMT government has in the past few years experienced major setbacks over several important issues, including the National Security Act, the Fourth Nuclear Power Plant budget, the Public Health Insurance Plan, underground broadcasting stations, and so on. All these issues have brought about serious divisions in Taiwan, but the "Southward policy" is the one issue that has raised few arguments. This is partly because the policy is not well known to the public, and partly because of President Lee's strong endorsement of it.

The "Southward policy" is also meaningful for President Lee's personal reputation. Since assuming the presidency in January 1988, Lee has maintained a very high standing in public opinion polls, with more than 80 per cent of the population showing satisfaction with his government. Being the first Taiwan-born President has been an advantage for Lee. Yet, since mid-1993, his popularity has slipped somewhat. A poll held in January 1994 showed that 76 per cent of Taiwanese expressed satisfaction with Lee.[6] When the President led a delegation to Southeast Asia in mid-February 1994, all newspapers reported this so-called "holiday diplomacy" on their front page. During the Chinese Lunar New Year holidays (when usually no major news stories are reported), President Lee's Southeast Asian tour was covered by almost all the domestic mass media. As such, Lee's popularity rebounded and reached a new peak. Taiwan will be holding its first ever nation-wide presidential election in early 1996. In this respect, the "Southward policy" will clearly be helpful in maintaining a high standing for Lee among Taiwanese voters.[7]

Economic Analysis of the "Southward Policy"

As mentioned earlier, three of the objectives of the "Southward policy" are economic in nature. Taiwan's economic relations with ASEAN have strengthened since 1987. The "Southward policy" will further promote and consolidate Taiwan's economic ties with Southeast Asian countries. From Taiwan's perspective, the promotion of the "Southward policy" has four economic aspects: strengthening bilateral investment and trading relations, coping with the new economic situation through the formation of AFTA, building up Taiwan as an Asia-Pacific Operations Centre, and helping Taiwanese enterprises do business in Southeast Asia.

Firstly, in so far as Taiwan's investment relations with the ASEAN

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states are concerned, since 1987 they have been gradually strengthened as a result of better investment conditions (for example, cheap labour, land and raw materials) in the region. Table 1 explains this trend. As seen from the table, Malaysia was the first, in 1989, to draw the largest amount of investment from Taiwan (US$158.6 million). In 1991, Malaysia once again attracted the biggest amount of Taiwanese capital (US$442.0 million) among five of the ASEAN states. The year 1990 was very significant for both Thailand and the Philippines, mainly because Taiwan's investment was the largest across time in these two countries: US$149.3 million in Thailand and US$123.6 million in the Philippines.

Up to the end of 1994, Malaysia, compared to the other four ASEAN states, accumulated the largest amount of investment (US$1.12 billion) from Taiwan. It was followed by Thailand (US$569.7 million), Indonesia (US$338.9 million), Singapore (US$261.1 million), and the Philippines (US$257.6 million).

Significantly, Table 1 also shows that Taiwan's investments in the ASEAN states have generally declined since 1991. Taiwan's investment in Malaysia, for instance, dropped from US$442.0 million in 1991 to only

TABLE 1
Taiwan's Investment in the ASEAN Five, 1952–94
(In US$1,000)

	Singapore	*Philippines*	*Indonesia*	*Thailand*	*Malaysia*
1952–84	9,046	10,113	24,775	6,865	7,299
1985	253	—	1,000	2,609	—
1986	434	71	1,780	5,810	—
1987	1,301	2,640	950	5,366	5,831
1988	6,433	36,212	1,923	11,886	2,708
1989	5,209	66,312	311	51,604	158,646
1990	47,622	123,607	61,817	149,397	184,885
1991	12,540	1,315	160,341	86,430	442,011
1992	8,790	1,219	39,930	83,293	155,727
1993	69,473	6,536	25,531	109,165	64,542
1994	100,732	9,600	20,571	57,323	101,127
Total	261,833	257,625	338,983	569,748	1,122,776

SOURCE: Ministry of Economic Affairs, *Statistics on Outward Investment, Technical Co-operation, Outward Technical Co-operation and Indirect Mainland Investment* (Taipei: Investment Commission, Ministry of Economic Affairs, January 1995), p. 55.

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US$64.5 million in 1993. Taiwanese investment in Thailand decreased from US$149.3 million in 1990 to only US$57.3 million in 1994. Similarly, investments from Taiwan in Indonesia also dropped from US$160.1 million in 1991 to US$20.5 million in 1994. One of the key reasons for this trend was Taiwan's shift in its investments to mainland China since the ROC Government authorized indirect investments in the mainland in 1990. Realizing the risk of increasing economic dependence on the mainland, the ROC Government initiated its "Southward policy" to take the lead for Taiwanese enterprises to reinvest in Southeast Asia. Without strong investments in Southeast Asia, Taiwan would not have the clout when asking the ASEAN states to upgrade Taiwan's political status in the region.

Secondly, the "Southward policy" is designed to avoid Taiwan's economic dependence on China. Since August 1988 when the ROC Government freed indirect trade with the mainland, Taiwan's economic relations with it have been growing. According to official statistics, indirect trade volume between Taiwan and China increased from US$955.6 million in 1986 to US$3.4 billion in 1989, US$7.4 billion in 1992, and US$9.56 billion in 1994.[8] Accordingly, the degree of Taiwan's trade dependence on the mainland increased from 0.55 per cent in 1983 to 2.47 per cent in 1988, and to 4.16 per cent in 1991, and then to 5.47 per cent in 1994.[9] Taiwan's investment in mainland China has also increased rapidly. According to the Ministry of Economic Affairs, up to 1991 Taiwan's capital investment in mainland China was about US$900 million, but two years later, at the end of 1994, Taiwan's investment in mainland China reached US$4.5 billion.[10] In 1992 alone, Taiwan's investment in the mainland amounted to US$3.1 billion, but this dropped to US$962.2 million in 1993. (The figures only cover approved investments.) If estimates of investments are included, the total accumulated Taiwanese investments in mainland China exceed US$10 billion.[11]

The intensive economic relations between Taiwan and the mainland have caught the attention of many, not least the KMT regime. The ROC Government is already diplomatically blocked by the PRC, and therefore does not want Taiwan to be economically dominated by the mainland. The KMT government has been warning Taiwanese enterprises not to be infected by "China fever". In order to avoid increasing its trade dependence on the mainland, the "Southward policy" was initiated to encourage Taiwanese businessmen to divert their investment to another part of the world.

Thirdly, Taiwan's economy is mutually complementary with the economies of most of the ASEAN states. It has already been noted that the amount of Taiwan's investment in five ASEAN states has increased. Taiwan's investments are mainly concentrated in labour-intensive industries:

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textiles, paper products and printing, metal products, non-metallic minerals, electronic appliances, and so forth. Table 2 highlights this trend. From the table, the main industries receiving Taiwanese investments in the Philippines are chemicals (42.7 per cent) and non-metallic minerals (35.2 per cent); in Indonesia, they are paper products and printing (24.9 per cent), textiles (17.2 per cent), and non-metallic minerals (16.2 per cent). In Thailand, they are electronic appliances (43.5 per cent) and chemicals (15.0 per cent); and in Malaysia they are basic metals and metal products (38.1 per cent), and electronic appliances (31.4 per cent). Since the early 1980s, Taiwan has been exerting great efforts to upgrade the island's industries, focusing on the promotion of capital-intensive industries. In the meantime, Taiwan's labour-intensive industries, as a result of rising labour and land costs, are moving out, and the Southeast Asian countries seem to be a natural home for these industries.

Fourthly, the ROC Government intends, through the promotion of the "Southward policy", to adapt to the new economic reality in Southeast Asia with the future implementation of the ASEAN Free Trade Area (AFTA). The main goal of AFTA, as decided at the Fourth ASEAN Summit in January 1992, is to establish a free trade area within the ASEAN countries by 2008 (since put forward to 2003). The ASEAN members have listed fifteen groups of products which are subject to reduced tariffs. These include textiles, cement, plastics, electronic appliances, metal and non-metal products, wood, paper, and so on. Products with tariffs higher than 20 per cent will be reduced to between 0 and 5 per cent by the end of 2002, while products with tariffs of less than 20 per cent will be slashed to between 0 and 5 per cent by 1 January 2000.[12]

The formation of AFTA is meaningful in at least two aspects. The first implies that economic co-operation among the ASEAN states will be strengthened. AFTA provides useful complementary functions for industries among ASEAN member states. ASEAN's products, with lower production costs, will replace products from non-ASEAN states. In time, this will save regional production costs and benefit ASEAN consumers who will enjoy cheaper products.[13] This advantage would help ASEAN's low-cost industries to move towards professionalization and internationalization, thus strengthening ASEAN's complementary economic co-operation. The other effect is that AFTA would exclude products from non-ASEAN countries, especially Hong Kong, Taiwan, South Korea, and China. Thus, while ASEAN's products are protected through enjoying low tariffs, products from non-ASEAN countries will be blocked by ASEAN's tariff wall, thereby losing any competitive edge.[14]

Finally, the ROC Government wants to establish Taiwan as a transportation and manufacturing centre in the Asia–Pacific area. In the Pacific

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TABLE 2
Taiwan's Investment in the ASEAN-Five, by Industry, 1952–94
(In US$1,000)

	Singapore		Philippines		Indonesia		Thailand		Malaysia	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Textile	9,278	3.5	26,303	10.2	58,353	17.2	36,944	6.5	120,130	10.7
Paper products and printing	—	—	2,187	0.8	84,439	24.9	20,729	3.6	261	0.0
Chemicals	1,259	0.5	110,162	42.7	14,308	4.2	85,617	15.0	104,291	9.3
Rubber products	9,223	3.5	569	0.2	34,133	10.1	29,358	5.1	15,150	1.3
Non-metallic products	3,054	1.1	90,720	35.2	54,900	16.2	14,910	2.6	33,528	3.0
Basic metals products	1,007	0.4	9,385	3.6	14,269	4.2	24,140	4.2	428,044	38.1
Electronic and electric products	71,391	27.2	8,240	3.2	31,791	9.4	248,045	43.5	352,244	31.4
Others	166,621	63.8	10,059	4.0	59,590	17.5	110,005	19.3	69,128	6.2
Total	261,833	100.0	257,625	100.0	338,983	100.0	569,478	100.0	1,122,776	100.0

Note: The percentage is based on the author's calculation.

SOURCE: Ministry of Economic Affairs, *Statistics on Overseas Chinese and Foreign Investment, Technical Cooperation, Outward Investment, Outward Technical Cooperation, and Indirect Mainland Investment* (Taipei: Ministry of Economic Affairs, December 1994), p. 62.

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Rim, there are more than twenty countries, with a total of two billion people (almost one-third of the world's population). This area shares 40 per cent of global trade and 60 per cent of world production, including the two largest economies, the United States and Japan. The Asia–Pacific is therefore perceived as the area with the greatest potential in the next century. In terms of location, hardware and software facilities, and development experience, Taiwan has clear advantages in becoming such a centre.

Taiwan's goal to be an Asia–Pacific transportation and manufacturing centre is actually related to APEC's development. At the APEC Annual Ministerial Meeting in November 1993, economic ministers signed the Declaration on Trade and Investment Framework. The Declaration includes three important points:

— developing the Asia–Pacific as a free and complementary economic union;
— using APEC's close trade and investment interdependency in the world to demonstrate APEC's importance in global trade and investment issues; and
— advocating APEC's mechanism to promote trade and investment liberalization in the area.[15]

Given the changing economic order in the Asia–Pacific, the Taiwanese government recently decided to establish Kaoshiung as a base for an Asia-Pacific Operations Centre, covering such functions as finance, transportation, manufacturing and telecommunications. According to Vincent Shaw, former Commissioner of the Economic and Construction Commission, Taiwan will establish a second scientific industrial park in the Kaoshiung metropolitan area, to attract foreign firms to invest in Kaoshiung.[16] The "Southward policy", therefore, promotes Taiwan's new economic awareness of the Southeast Asian countries.

Political Evaluation of the "Southward Policy"

The political objective of the "Southward policy" is quite clear, that is, to upgrade Taiwan's political status through being involved in international governmental organizations. Although the "Southward policy" has only been in place for a short time it is useful to evaluate its effect. Because of the PRC's political intervention, the ROC's "Southward policy" has not achieved its apparent political goals. The PRC strongly holds on to the so-called "one China policy", whereas the ROC denounced this rigid policy in 1991 when the Mobilization and Anti-Communist Act was suspended. Taiwan is, therefore, now using all means to upgrade its political standing in the international community. Its efforts are perceived by the PRC as

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a direct challenge to Chinese sovereignty and to the "one China policy". The following four events explain the difficulties of Taiwan's "Southward policy".

First, President Lee Teng-hui's visit to three ASEAN states in 1994 was a very low profile manoeuvre, in trying to avoid provoking Beijing. The President's visits were "private" and "informal", and he was therefore not allowed to visit the ASEAN capital cities. Although President Lee met top leaders in the Philippines, Indonesia, and Thailand,[17] he was publicly addressed by the title of either "Professor Lee" or "Mr Lee". None the less, these three countries did invite President Lee and accorded appropriate protocol to the President and his delegates. Officially, however, Lee was not treated as a head of state.

Secondly, the ROC Government has desired equal political status with the PRC in the international community. One of the key objectives of President Lee's visit to Southeast Asia was to ask the ASEAN states to recognize Taiwan's *de facto* independent status. According to Lee's "pragmatic diplomacy", the KMT government no longer claims sovereignty over mainland China, admitting the ROC's legitimacy over only Taiwan and the PRC's only over the mainland.[18] But, the ASEAN states have not danced to the Taiwanese President's tune. A few hours after President Lee's arrival in the Philippines, Roberto Romulo, the Philippine Foreign Minister, proclaimed in public that the Philippines would maintain its "one China policy". But from an economic perspective, there was nothing wrong with advocating economic co-operation with Taiwan.[19] Prasong Soonsiri, the then Thai Foreign Minister, even stated at the 27th ASEAN annual meeting in late July 1994 that Taiwan was not a sovereign state. Without doubt, Prasong's statement seriously hurt the ROC Government. It is quite evident that Taiwan integrates both politics and economics in its "Southward policy", but the ASEAN states are judiciously separating politics from economics.

Thirdly, Taiwan was anticipating ASEAN's assistance in joining regional governmental organizations and so breaking the PRC's diplomatic blockade. Unfortunately, the ASEAN states have not responded positively. The ROC has long attempted to become ASEAN's dialogue partner, but ASEAN has not extended an invitation to Taiwan. In addition, Taiwan's desire to become a member of the ASEAN Regional Forum (ARF) is seen by the ROC as crucial in elevating its security dilemma to an international level. However, the KMT government is still far from achieving its legitimate political status in the international community.

Finally, Taiwan was not invited to attend the second APEC Summit held in Indonesia in November 1994. Through its "Southward policy", Taiwan has extended much assistance to Indonesia. It is estimated that

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Taiwan's assistance to Indonesia, including loans, aid, co-operation and development projects, has reached US$40 million. During his visit to Indonesia, President Lee therefore expressed his desire to be invited to the APEC Summit. President Soeharto, however, did not respond directly to this. In late July 1994, when Ali Alatas, the Indonesian Foreign Minister, attended the 27th ASEAN Ministerial Meeting, he stated in public that the Indonesian Government would not invite President Lee to the second APEC Summit meeting. Taiwan had intended to use its economic resources in exchange for a political breakthrough, but the Indonesian Government separated economics from politics.

Economic Evaluation of the "Southward Policy"

The political objectives of the "Southward policy" have not been achieved, and the economic objectives remain uncertain. The following four factors may provide the reasons for this.

First, the ASEAN states are not satisfied with the level of economic resources provided by Taiwan. Take Indonesia, for example. When President Lee visited Indonesia, the ROC Government reached an agreement with the Indonesian Government on six co-operation projects: (1) assisting Indonesian small- and medium-sized enterprises and in agricultural development; (2) expanding investment in Indonesia, especially in such industries as oil, sugar, salt, and petrochemicals; (3) strengthening bilateral co-operation on human resources; (4) providing economic assistance (about US$20 million); (5) learning conservation experience from Indonesia; and (6) strengthening Sino-Indonesian cultural exchanges and bilateral official relations.[20] It was reported, however, that Indonesia was asking for US$1 billion in economic assistance from Taiwan.[21]

The Philippines shares a similar story. When President Lee met President Fidel Ramos on 9 February 1994, they reached an agreement on seven co-operation projects. The first one related to Taiwan providing US$23 million for the development of the Subic Bay Industrial Park, and the provision of 300 acres of land for Taiwanese enterprises.[22] The other six projects were: (1) the opening of direct flights from Taiwan to Subic Bay; (2) the expansion of agricultural and fisheries co-operation; (3) the strengthening of financial co-operation; (4) the provision of more counselling services and assistance to Philippine workers in Taiwan; (5) the continuation of economic assistance to the Philippines; and (6) the development of tourism.[23] Like Indonesia, the Philippine authorities also asked for much more than what was offered by Taiwan. When the ASEAN states did not get what they asked for, their response to Taiwan's request for enhanced political ties was limited.

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Secondly, the effect of Taiwan's assistance to the ASEAN states has been weakened by the PRC's intervention. As a regional hegemon, the PRC has been able to generate both political and economic influence over the Southeast Asian countries. The PRC's political influence in Southeast Asia is widely known, especially on the following matters: the Cambodian issue; Sino-Vietnamese normalization; the sovereignty issue over the Spratly Islands; and the development of APEC. If the PRC had not been willing to co-operate with the Southeast Asian countries over such political matters, the region's stability would have become more uncertain, which in turn would have affected economic developments. As for economic assistance, mainland China, though not as rich as Taiwan, has also been able to offer some economic assistance to the Southeast Asian nations. The PRC's economic relations with Southeast Asia have been growing since the early 1980s, and the PRC has drawn a lot of capital from those countries. Investment in China by Southeast Asian businessmen increased from US$69 million in 1984 to US$135 million the following year, and to US$227 million in 1987.[24] Singapore's investments in the PRC are the most significant; its direct investment in China (contracts signed) increased from US$62.56 million in 1984 to US$75.7 million in 1985, and to US$640 million in 1990,[25] making Singapore the fourth largest investor in the PRC.

Thirdly, Taiwan's "Southward policy" has not attracted the involvement of private enterprises as much as had been expected. As shown in Table 1, Taiwan's investment in Southeast Asia has declined since 1991. Indonesia is a good example. Taiwan's investments in Indonesia declined from US$160 million in 1991 to US$39 million in 1992, and to US$25 million in 1993. Since mid-1993 when the KMT government initiated the "Southward policy", private enterprises have yet to respond actively. Instead, government-owned enterprises and KMT-owned corporations are reluctantly keeping in step with the ROC's moves.

It needs to be noted that Taiwanese businessmen experience several difficulties, such as culture, language, religion and safety, when investing in Southeast Asia. The cultures and languages in the region are largely different from the Chinese-oriented Confucianism and Buddhism. Thailand is a Buddhist country, but Thai is a very difficult language for the Taiwanese. The Philippines is a Catholic country, and Taiwanese businessmen are not familiar with the Filipino languages (English and Tagalog). Taiwanese businessmen also worry about the education of their children. Except for Singapore, the other ASEAN states do not have appropriate schools for Taiwanese children. In addition, there is the problem of anti-Chinese sentiment occasionally manifesting in Indonesia. Moreover, several businessmen from Taiwan have been kidnapped and murdered in the Philippines in the past few years. The Thai military's corruption and

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intervention in politics and economics are also negative factors for Taiwanese businessmen. These variables explain why Taiwan's investments in Southeast Asia have decreased since 1991. Whether the "Southward policy" will reverse this trend remains to be seen.

Conclusion

Scholars such as Ilchman and Uphoff have stated that political resources are like currency; they can be saved, spent, or frittered away. Obviously, Taiwan's "Southward policy" entails using and spending existing economic resources in exchange for enhancing Taiwan's political status in the international community. These resources are neither wasted nor saved. Looking at ASEAN's role in the Asia–Pacific and the new political scene in the region, the ROC's diplomatic strategy is understandable and acceptable. It is true that the ASEAN states are in need of Taiwan's capital and technology. It is also true that ASEAN, if it is willing, has the opportunity to help Taiwan enter international organizations. Taiwan's "Southward policy", however, has not achieved its political goals, the main reason being the shadow cast by the PRC. Beijing is using its political resources to block Taipei's political aspirations.

It is still too soon to assess the success of the "Southward policy". However, if Taiwan hopes to achieve better results from the policy, it should consider the following four points. Firstly, bilateral political relations can be improved through better economic and social relations; thus, it is necessary to strengthen economic and trade relations with the ASEAN states. Secondly, when developing economic relations with the ASEAN states, it is important to involve private Taiwanese enterprises. The ROC should not fully depend upon state-owned and KMT-owned corporations. Thirdly, the "Southward policy" should involve all possible resources in Taiwan, not merely the business of the KMT government, but the Taiwanese themselves. Finally, while exerting efforts to upgrade Taiwan's political status, Taipei cannot avoid intervention from Beijing. Thus, it is imperative for the ROC to promote rational and practical relations with the mainland.

NOTES

1. President Lee Teng-hui paid an official visit to Singapore in March 1989 under the address of "President Lee from Taiwan". To this title, President Lee's response was "not satisfied but acceptable".
2. Warren F. Ilchman and Norman Thomas Uphoff, *The Political Change of Economy* (Berkeley, California: University of California Press, 1969), pp. 49–91.

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3. Taiwan's investments in the ASEAN countries have significantly increased since 1987, a key factor for the ASEAN countries in improving their political relations with Taiwan.
4. From Taipei's perspective, the "Republic of China" is the best name for the ROC's office in foreign countries which have no formal diplomatic ties with the ROC. Presently, about seven countries without diplomatic relations with the ROC have authorized the latter to set up offices in the name of the "Republic of China" in their countries.
5. Presently, ASEAN has seven dialogue partners, namely, the United States, the European Union, Australia, New Zealand, Canada, Japan and South Korea.
6. This does not necessarily mean that 76 per cent of the Taiwanese will vote for President Lee during the election.
7. Although President Lee has stated three times in public that he will retire after the present presidential term, it is widely believed that he will run again.
8. This figure is from *Monthly Statistics on Taiwan–Mainland China Economics*, no. 29 (Taipei: Commission of Mainland China, January 1984), p. 23. The real figure of indirect trade between Taiwan and mainland China is usually three times the governmental statistics.
9. The degree of country A's trade dependence upon country B is the proportion of country A's trade to country B in relation to A's entire trade in that particular year.
10. Ministry of Economic Affairs, *Statistics on Outward Investment, Technical Co-operation, Outward Technical Co-operation, and Indirect Mainland Investment* (Taipei, Investment Commission, Ministry of Economic Affairs, January 1995), p. 73.
11. One reporter estimates that by the end of 1993 Taiwan's investment in mainland China had reached US$15 billion (*Far Eastern Economic Review*, 28 July 1994, p. 77).
12. Michael Vatikiotis, "Less haste, less speed", *Far Eastern Economic Review*, 7 January 1993, p. 61.
13. This is the so-called "trade creation effect".
14. This is the so-called "trade diversion effect".
15. Translated from the *China Post* (Chinese edition), 20 November 1993, p. 2.
16. For details, see the *United Daily* (Chinese edition), 1 August 1993, p. 19.
17. President Lee met Philippine President Fidel Ramos and Indonesian President Soeharto. He was also scheduled to meet Thai Prime Minister Chuan Leekpai, but due to the PRC's pressure, President Lee met Thai King Bhumibol Adulyadej instead.
18. The ROC Government denounced the forty-year long Mobilization and Anti-Communist Act in May 1991, recognizing that the ROC's legal sovereignty only covers Taiwan and several offshore islands. But the PRC still maintains the so-called "one China policy", meaning that there is only one China and Taiwan is part of China.
19. Translated from the *United Daily*, 10 February 1994, p. 2.
20. Translated from the *United Daily*, 14 February 1994, p. 2.
21. Translated from the *China Post*, 11 February 1994, p. 2.
22. The development of the Subic Bay Industrial Park began on 20 February 1994.
23. Translated from the *United Daily*, 13 February 1994, p. 2.
24. Hurnyu Chen, "China's Political Division and Chinese Communities in Southeast Asia", *Issues and Studies*, April 1991, p. 88.
25. *China Trade Report*, May 1988, p. 3; and March 1991, p. 9.

SAMUEL C.Y. KU is Associate Professor at the Institute for Interdisciplinary Studies, National Sun Yat-sen University, Kaoshiung.

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Vietnam and Its Neighbours: The Border Dispute Dimension*

RAMSES AMER

This article deals with the current active border disputes between Vietnam and its neighbours. It discusses Vietnam's position with regard to the conflicts with individual countries, and its overall attitude towards border disputes. Vietnam has active border conflicts with Cambodia, China, Indonesia, Malaysia, the Philippines and Thailand. It favours formal negotiations with the goal of resolving these disputes, stressing that they should be handled through peaceful means, and that the countries concerned should refrain from the use of force. Vietnam's recent accession to membership of ASEAN is likely to make the conflicts with its fellow ASEAN members more manageable. Hanoi will contribute to the strengthening of ASEAN's overall policy of promoting regional integration and co-operation. With regard to the ongoing process of dialogue relating to the Spratly conflict and to other disputed issues in the South China Sea, Vietnam's membership will not alter the ASEAN position but rather give the grouping additional clout.

Introduction

The purpose of this article is, first, to outline the current active border disputes between Vietnam and its neighbours, and second, to investigate the position taken by Vietnam with regard to the conflicts with individual countries and its overall attitude towards border disputes.

The first issue — the active border disputes — will be addressed by studying the current state of the conflicts. Only contemporary events deemed as important to the present situation will be taken into consideration.

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Vietnam's policy with regard to border disputes will be investigated by studying two aspects: Hanoi's declared position on how to resolve a given territorial dispute, and its general attitude towards the management of territorial conflicts. This part of the study will also discuss the possible impact of the Vietnamese position on stability in the Southeast Asian region. Finally, it will also assess the possible impact of Vietnam's membership of the Association of Southeast Asian Nations (ASEAN) on its border disputes.

Vietnam's Border Disputes: An Overview

This section provides an overview of Vietnam's active border disputes with its neighbours. The discussion with regard to the individual countries will be made in the following order: first Cambodia, followed by China, then Indonesia, Malaysia, the Philippines, Taiwan and Thailand. Vietnam does not have any border dispute with Brunei Darussalam,[1] Laos[2] or Singapore.

Cambodia[3]

The territorial disputes between Vietnam and Cambodia relate to the land and the sea borders, with overlapping claims to the so-called "historical waters" as well as to continental shelf areas in the Gulf of Thailand, to the southwest of Vietnam and to the southeast of Cambodia. Part of this area is also claimed by Thailand.[4]

After Cambodia's independence in 1953 and the establishment of the Republic of Vietnam (RV) in the mid-1950s, the border disputes created tension in bilateral relations but did not lead to open military conflict. When Cambodia broke off diplomatic relations with the RV in 1963, the reason it gave was that the Khmer minority in the RV had suffered from oppressive policies implemented by the Vietnamese authorities, but the disagreements with regard to the border disputes certainly contributed to the deterioration of bilateral relations. When Prince Norodom Sihanouk, in 1966 and 1967, sought a firm commitment from the Vietnamese to respect Cambodia's "existing" borders, a positive response confirming recognition of these borders came both from the Democratic Republic of Vietnam (DRV) and the National Liberation Front (NLF), which were opposing the government in the RV, but the RV did not offer such a recognition. Prince Sihanouk had cordial relations with the DRV and NLF, and he allowed them to transport war equipment through eastern Cambodia and tolerated the establishment of sanctuaries along the border with the RV. After the overthrow of Prince Sihanouk in 1970, relations between Cambodia and the RV improved, but this accounted for little when the

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central government in Cambodia gradually lost control over the country. A parallel evolution was taking place in the RV. The wars in the two countries ended with victories for the communist forces in the spring of 1975.

Almost immediately after the end of the internal wars in 1975, armed clashes erupted along the common land border and on islands in the Gulf of Thailand. The situation was brought under control in June 1975, following a high-level meeting in Hanoi, and a somewhat stable situation was maintained during the latter half of 1975 and 1976. In 1976, the two parties made an attempt to start negotiations but the discussions broke down at the preparatory meeting as a result of divergent opinions about who could propose alterations to the delimitation of the common borders. The Cambodian side claimed to have unilateral right to propose alterations and stated that Vietnam violated this right by putting forward proposals. In early 1977, armed clashes along the land border started again, with Cambodia taking the initiative in a move to assert its claim to territory under Vietnamese control, over which Phnom Penh claimed sovereignty. The armed clashes escalated and, as bilateral relations in general deteriorated, Vietnam began to counter-attack. The conflict eventually led to Vietnam's military intervention in late December 1978 and the overthrow of the Cambodian government.

Following the intervention, a new administration — the People's Republic of Kampuchea (PRK)[5] — was established with Vietnam's assistance. During the 1980s the most important border agreements between Vietnam and the PRK were that relating to the so-called "historical waters" of 7 July 1982, and the Treaty on Delimitation of the Vietnam-Kampuchea Frontier of 27 December 1985.[6] The present status of these agreements is uncertain, following changes in the political leadership in Cambodia after the general elections organized by the United Nations in May 1993.

Currently, the two countries are trying to manage disputed issues through formal negotiations. As part of this process, they have decided to set up working groups to deal with bilateral disputes, such as the territorial issue and that of ethnic Vietnamese living in Cambodia. On the Vietnamese side, there seems to be only one source of authority generating foreign policy, namely, the Vietnamese Government and the ruling Communist Party of Vietnam. In Cambodia, the situation is different. The government is pursuing a policy aimed at maintaining good bilateral relations with Vietnam and, as part of that policy, disputes are to be settled through negotiations. However, there are two other important political actors who have less positive attitudes towards Vietnam. The first is King Sihanouk who has been ambivalent in his statements towards Vietnam; at times he argues in favour of good or improved relations while on other occasions he accuses Vietnam of nibbling away at Cambodian territory.[7] The second

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actor is the Party of Democratic Kampuchea (PDK) which continues to pursue a virulent anti-Vietnamese policy.[8]

Vietnam's attitude towards the border disputes with Cambodia is that the differences should be settled peacefully through negotiations. Vietnam has repeatedly stressed its commitment to such an approach.[9]

The present problems relating to the land border seem to be a question of demarcation rather than delimitation. This assessment is based on the assumption that the two parties accept the land border left by the French colonial authorities as the basis for the current border. Consequently, the land border should not present any serious problems in terms of disputed areas, but the demarcation of the border will be a long and time-consuming process even if bilateral relations are good.

In terms of sea borders, the conflict in the Gulf of Thailand is more complicated. The Brévié-line left by the French, which primarily addressed the question of the islands in the area, should be regarded as an administrative delimitation and not as a border delimitation.[10] Therefore, negotiations are needed to resolve the issue which, in essence, is a question of overlapping claims. During the 1980s, the model agreed upon by the PRK and Vietnam was to treat the disputed area as common "historical waters" and to engage in joint co-operation in such areas, while the delimitation proper would be subject to negotiations.[10]

Interestingly enough, the allegations that Vietnam had expanded its territory to the detriment of Cambodia during the 1980s seem to have dissipated. This is an indication of just how politicized the debate was during the period of Vietnam's military occupation of Cambodia.[12]

China[13]

Vietnam's most extensive border disputes are with China. They encompass the land border, the Gulf of Tonkin and overlapping claims of sovereignty over the Paracel and Spratly archipelagos in the South China Sea. Another dispute can be identified in relation to China's claim to so-called "historical waters" in the South China Sea, which encroaches on sea areas claimed by Vietnam to be within its EEZ (exclusive economic zone) or on its continental shelf.

The colonial era produced boundary agreements between France and the Chinese Empire relating to the land border and the Gulf of Tonkin. No agreement was reached with regard to the archipelagos in the South China Sea.

During the period 1954–75 the border issues between the DRV and China were of secondary importance compared to the war efforts in the south of Vietnam. In fact, the DRV never claimed sovereignty over the

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Paracels and Spratlys and even went as far as making statements which could be interpreted as recognizing China's sovereignty. The RV, however, claimed that the two archipelagos were Vietnamese territory and took control over the western parts of the Paracel archipelago and several islands in the Spratlys, following the French withdrawal in the mid-1950s. In 1956 China seized the eastern part of the Paracels and in January 1974, following a short war against the RV, took control of the whole archipelago.

After 1975, the leadership in Hanoi began to reassert Vietnam's sovereignty claims over the archipelagos in the South China Sea. The islands in the Spratly archipelago previously controlled by the RV were taken over by the new authorities.

Beginning in 1974, border clashes occurred along the common land border and they increased sharply in 1978 as the overall bilateral relationship deteriorated because of other issues. The major point of controversy with regard to the land border centred on Vietnam's claim that the Sino-French Convention on the delimitation of the border of 1887 had been to its detriment and that this situation had to be rectified. This period also saw some bilateral negotiations over the dispute in the Gulf of Tonkin but the talks failed as a result of the overall deterioration of relations, which ultimately led to China's attack on Vietnam in February–March 1979. Bilateral negotiations in 1979 and the early 1980s also failed to bring the parties to any agreement on the many disputed issues.

The 1980s was a period of continued tension between the two countries and up to early 1988 the military confrontation was concentrated along the land border. However, in March 1988 tension increased in the Spratly archipelago, which led to a naval clash. Vietnam suffered some casualties in the brief battle and China managed to get a foothold in the archipelago by seizing some of the islands. Paradoxically, during the second half of 1988, the tension along the land border steadily decreased and by the end of that year cross-border trade had been resumed.

During 1989 and 1990, high-level diplomatic contacts increased between the two parties but the normalization process was slow in making headway and it was not until the summer of 1991 that a breakthrough was achieved, leading up to the full normalization of relations at a high-level meeting in Beijing on 5–11 November.

The border disputes were not resolved during the normalization process but the two parties agreed to settle the land border dispute and other territorial issues peacefully through negotiations.[14]

Since full normalization in 1991, Sino–Vietnamese relations have been characterized by two contradictory trends: one, towards closer ties with bilateral agreements in many fields; and the other, less co-operative, with increased tension in the South China Sea, primarily because of Chinese

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moves in the area. In February 1992, China passed a new law on territorial waters which stipulates that the Paracel and Spratly archipelagos and most of the waters of the South China Sea are to be regarded as part of its national territory.[15] In May of the same year China signed a contract with the Crestone Energy Corporation for oil exploration in an area claimed by Vietnam to be on its continental shelf. Furthermore, and on a yearly basis, China has been expanding its control over islands and reefs in the Spratly archipelago and has increased its military facilities in the Paracel group. Vietnam has repeatedly protested and complained about these Chinese moves.[16]

The other border disputes have also not lost any of their relevance, as can be seen from the fact that continued differences of opinion regarding the demarcation of the land border have prevented the resumption of rail-traffic between the border provinces of Lang Son and Guangxi. Vietnam has accused China of occupying a stretch of some 300 metres of the railway, including Vietnam's pre-1979 end-station. There are also differences pertaining to the delimitation of waters in the Gulf of Tonkin.[17]

The continued border disputes should not be allowed to overshadow the fact that China and Vietnam are trying to negotiate with a view to resolving their conflicts. It is true that the goal of finding negotiated settlements to the different disputes has yet to be achieved but some progress can be noted. One example is the agreement between the two Foreign Ministers in Hanoi in February 1992 to establish working groups to discuss the territorial disputes. From early 1992 to mid-1995 the talks have mainly focused on the land border demarcation and the delimitation of waters in the Gulf of Tonkin. The major achievement so far has been the signing of an agreement on the principles for handling the two disputes on 19 October 1993. The two sides also agreed to set up joint working groups at the expert-level to deal with the two issues.[18] The working group on the land border has met on five occasions during the period February 1994–June 1995. The working group on the Gulf of Tonkin has also met five times during the same period.[19] During the high-level visit of President Jiang Zemin to Vietnam in November 1994, it was agreed that a joint working group would be set up at the expert level to deal with "issues involving the seas", that is, the bilateral conflicts in the South China Sea.[20] These moves have been positive and constructive and have indicated that the two countries wish to settle the disputes peacefully. The 1993 agreement is a clear indication of their commitment to resolve territorial disputes through negotiations. That commitment has been reiterated at annual high-level visits since normalization in 1991 — Prime Minister Li Peng visited Vietnam in December 1992, while President Le Duc Anh visited China in November 1993, and President Jiang Zemin to Vietnam in late 1994.

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Indonesia

The territorial dispute between Vietnam and Indonesia involves the two countries' claims over overlapping continental shelf areas in the South China Sea to the south of Vietnam and to the north of the Indonesian island of Natuna.[21] A settlement of this dispute will have a bearing on the Indonesian-Malaysian maritime boundary in the area.[22]

This dispute was already in existence during the RV period and became active when the RV proclaimed its continental shelf boundaries on 9 June 1971.[23] During that time, Indonesia had diplomatic relations only with the DRV, which made bilateral negotiations with the RV more complicated. Eventually, a round of exploratory negotiations was held in Saigon in June 1972.[24]

After 1975 the two countries discussed the territorial dispute on several occasions, and negotiations at the expert-level were initiated in June 1978 and continued into the early 1980s. In February 1981, Indonesia reportedly rejected a Vietnamese proposal for a joint development zone in the disputed area.[25] During most of the 1980s, the diplomatic contacts between the two countries were focused on the Cambodian conflict, with Indonesia, playing the role of intermediary between ASEAN and Vietnam, acting as the host for informal meetings on Cambodia at the regional level.

With the removal of the Cambodian conflict from the agenda in the early 1990s, renewed attention has been paid to the territorial conflict. This is evidenced by discussions held at high-level meetings, such as those during President Soeharto's and Foreign Minister Ali Alatas' visit to Vietnam in November 1990, Prime Minister Vo Van Kiet's visits to Indonesia in October 1991 and in July 1992, and President Le Duc Anh's visit to Indonesia in April 1994.[26] At the October 1991 meeting it was agreed that the issue of demarcation of the continental shelves would be discussed at the governmental level and the first such meeting was held in Hanoi in December 1991.[27] During his July 1992 visit, President Soeharto expressed the hope that the territorial dispute would be resolved by middle-level officials of the two countries.[28] In February 1993 an Indonesian military delegation visited Vietnam but no discussion on the territorial conflict was reported. In June that year, Vietnam's Minister of Defence General Doan Khue visited Indonesia and the territorial dispute was discussed during a meeting with President Soeharto. Following the meeting, the Indonesian Defence Minister expressed his conviction that the two countries would find an agreement to the problem through co-operative discussion.[29] The lack of progress in lower-level contacts can be seen in the reports from the April 1994 high-level meeting when it was agreed that the territorial dispute should be settled "quickly" on the basis of the Law of the Sea

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Convention.[30] The technical officials involved in discussions on the matter were urged to speed up their work and if they failed to reach an agreement, they would have to report it to higher officials.[31]

Despite these high-level efforts and the commitment of both parties to resolve the dispute peacefully through negotiations, no formal resolution of the conflict has been reached. A joint development scheme, pending a formal settlement of the territorial issue as such, does not seem to be an option contemplated officially by the two parties.

Malaysia

Vietnam has three territorial disputes with Malaysia. Two of them relate to overlapping claims to continental shelf areas in the South China Sea. The first is situated to the southwest of Vietnam and to the northeast coast of Peninsular Malaysia, which also overlaps with an area claimed by Thailand; while the second is situated to the southeast of Vietnam and to the north/northwest of the coast of East Malaysia, which is related to the third dispute over some islands and reefs in the Spratly archipelago. Vietnam claims sovereignty over the whole of the Spratly archipelago, while Malaysia has sovereignty claims over the southern part.[32]

The conflicts date back to 1971 when the RV authorities reaffirmed Vietnamese sovereignty over the Spratly archipelago in response to a Malaysian claim of sovereignty over some of the islands.[33] In the post-1975 period, the conflicting claims over these islands were discussed during then Prime Minister Pham Van Dong's visit to Malaysia in October 1978 when he reaffirmed Vietnam's sovereignty claims while at the same time stating that Vietnam wanted to settle the disputes through negotiations.[34] In 1979 Malaysia publicized the full extent of its continental shelf claims, issuing a map in December of the same year.[35] This Malaysian move elicited a negative response from Vietnam. During the 1980s, attempts at negotiations over the disputed issues were hampered as the Cambodian conflict came to dominate the foreign policy agenda between the two countries. The first half of the 1980s saw several exchanges of notes reaffirming sovereignty rights and protesting against moves by the opposite party, as well as some positive signs such as the Malaysian note of 23 February 1983 which stated that Malaysia was persuaded that all disagreements over maritime borders could be settled through negotiations in conformity with international law and practice.[36]

Relations between the two countries improved in the early 1990s as the Cambodian conflict was removed from the agenda, and this has led to some positive developments with regard to the territorial disputes. In this context, 1992 appears to have been a crucial year. In January that year,

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Prime Minister Vo Van Kiet and Foreign Minister Nguyen Manh Cam made an official visit to Malaysia, which was marked by an atmosphere of new-found friendship, and much attention was focused on economic co-operation. The territorial disputes do not seem to have been at the centre of attention but at least the Spratly dispute was discussed and the parties agreed to resolve the matter through diplomatic channels.[37] In April, the Foreign Ministers of the two countries met in Hanoi in conjunction with Prime Minister Mahathir Mohamad's official visit to Vietnam. During the discussions relating to the disputes in the South China Sea they agreed on principles to be adopted by officials in future talks for the joint development of the disputed areas. These principles included determination of the size of the disputed areas. Furthermore, whatever joint development agreed upon had to be mutually beneficial, and such agreement should not "prejudice" the final outcome of the determination of the line of demarcation.[38] In early June 1992, talks between Foreign Ministry officials of the two countries were held in Hanoi. The talks only dealt with areas of the South China Sea not claimed by any other country. An agreement was reached to jointly engage in oil exploration in an area of the continental shelf. This agreement would not affect the future delimitation of the area. The two delegations also stated that the dispute relating to the Spratly archipelago would be resolved through negotiations and consultations.[39]

The agreement to engage in the joint exploration and development of the continental shelf area amounts to a de facto shelving of the sovereignty claims in order to move ahead with joint projects in the disputed zone. Both parties are also committed to resolve their border disputes peacefully through negotiations.

Philippines

The territorial dispute between Vietnam and the Philippines involve sovereignty claims over almost the entire Spratly archipelago, with the notable exception of Spratly Island itself, which is controlled by Vietnam and not claimed by the Philippines.[40]

Formally, the areas of the Spratly archipelago claimed by the Philippines were declared part of Filipino territory through Presidential Decree 1596, issued on 11 June 1978. However, the Filipino claims date back to 1947 when the then Secretary of Foreign Affairs Carlos P. Garcia demanded that the islands in the Spratlys occupied by Japan during World War II be given to the Philippines.[41]

The first official manifestation of the conflicting sovereignty claims of the RV and the Philippines came in February 1974 when the Philippines,

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in a note, protested against the dispatching of Vietnamese naval and infantry troops to occupy five islands in the Spratlys. The RV responded by stating that the islands were unknown to Vietnam and could not be found on maps of the world. Furthermore, Vietnam asserted its sovereignty claims over the Spratlys.[42] In the post-1975 period, a Joint Communiqué was issued at the end of the then Prime Minister Pham Van Dong's official visit to the Philippines in September 1978, in which the two heads of government affirmed their will to resolve all bilateral disputes through negotiations and in a spirit of conciliation and friendship. Presidential Decree 1596, issued on 11 June 1978 by the Philippines, provoked an official protest from Vietnam, in 1979, against the merging of "most" of the Spratly archipelago with the territory of the Philippines.[43] During the 1980s the controversy surrounding the Cambodian conflict led to a marked cooling off of relations between Vietnam and the Philippines and no progress was made with regard to the territorial conflict.

In the early 1990s, the settlement of the Cambodian conflict brought about an improvement in bilateral relations, and the territorial dispute has been the subject of discussions at some high-level meetings. In February 1992, Vietnam's Prime Minister visited the Philippines and met with President Corazon Aquino to discuss ways of strengthening bilateral relations in various fields, but the territorial issue was not on the agenda. The reason given by the Vietnamese side was that the two leaders understood each other's position well and that the matter should be settled peacefully through negotiations. However, since the dispute involves several countries it was brought up during discussions between the Foreign Ministers and the two sides agreed that, pending a formal settlement, they would refrain from taking any action which might cause the situation to deteriorate.[44] In July 1992 Vietnam's Foreign Minister Nguyen Manh Cam attended the ASEAN Summit in Manila.[45] Later, in November, the then Secretary of Foreign Affairs of the Philippines Roberto R. Romulo visited Vietnam and both sides declared that they held the same views with regard to the situation in the South China Sea and that they agreed that the ASEAN Declaration on the South China Sea of 22 July 1992 constituted a good basis for setting up principles of international conduct in the area, in the search for peace and stability in the region.[46]

In March 1994 President Fidel Ramos of the Philippines paid an official visit to Vietnam and the territorial dispute was high on the agenda during the discussions. President Ramos proposed a policy of non-increase of the existing forces in the Spratlys as a step towards the eventual demilitarization of the archipelago. He also suggested that the claimants should exploit and develop the resources there together. Vietnam agreed in-principle to these proposals.[47] In July, the co-operative mood was briefly

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overshadowed by a Filipino protest against the construction of a lighthouse on one of the Vietnamese-controlled islands in the Spratlys. Vietnam refuted the protest and argued that the lighthouse was a navigation aid to ships, irrespective of flag.[48] By December, a renewed co-operative atmosphere was displayed during the visit to the Philippines of Vietnam's Minister of Defence General Doan Khue.[49] This trend continued into 1995 when, in February, Vietnam's Foreign Minister paid a visit to the Philippines. During the discussions both parties expressed their desire to contribute to the settlement of all differences and conflicts in the South China Sea, peacefully through negotiations.[50]

The basic difficulty that Vietnam and the Philippines face when dealing with their territorial conflict in the South China Sea is that it is not a bilateral but a multilateral one with overlapping claims by six parties. Therefore, it is not possible for Vietnam and the Philippines to resolve their dispute through bilateral negotiations. It is in this context that the more general statements with regard to the need for a peaceful settlement of the whole conflict situation around the Spratlys, and at times to the need for such settlements of all conflicts in the South China Sea, should be understood.

Taiwan

In discussing Vietnam's territorial disputes with Taiwan, there are two intriguing problems. First, in political terms, Vietnam does not recognize Taiwan as anything but a province of China, that is, the "one-China" policy, and following from this is the fact that no formal diplomatic relations exist between Vietnam and Taiwan. Secondly, Taiwan is pursuing the same claims in the South China Sea as China; it can be argued that they are both pursuing a "Chinese" claim.

Taking these two factors into consideration, is it possible to argue that Vietnam has any territorial dispute with Taiwan? Or should it be argued that Vietnam is facing a "Chinese" claim and that the disputes have to be viewed as Sino–Vietnamese conflicts? In the context of this study, the Taiwanese presence in any of the Sino–Vietnamese border dispute areas will be viewed as creating a territorial dispute between Vietnam and Taiwan. There is no Taiwanese presence in the Paracel archipelago, nor in the Gulf of Tonkin, and therefore the territorial disputes in those areas will not be regarded as those between Taiwan and Vietnam. The situation in the Spratly archipelago is different, since Vietnam controls several islands and Taiwan controls the island of Itu Aba. Thus, there is a territorial dispute with overlapping sovereignty claims to the Spratly archipelago.

As no formal diplomatic relations exist between the two parties no

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negotiations can be held at the government-to-government level in order to reach a settlement. However, Vietnam does protest against Taiwanese actions and claims in the area.[51]

Thailand

The territorial dispute between Vietnam and Thailand relates to overlapping continental shelf claims in an area of the Gulf of Thailand to the southeast of Thailand and to the southwest of Vietnam. A large part of the disputed area is also claimed by Cambodia. Furthermore, as noted above, part of the area overlaps with an area claimed by Malaysia.[52]

The conflict erupted in May 1973 when Thailand made public its continental shelf claims, but the discussions between the RV and Thailand never moved beyond the preliminary stage and the conflict was seemingly regarded as less important than the fishery dispute between the two countries.[53] In the post-1975 period, the visit to Thailand by the then Vietnamese Foreign Minister Nguyen Duy Trinh in 1978 brought about an agreement to settle the maritime dispute on the basis of equitable principles.[54] Vietnam's military intervention in Cambodia in late 1978 and the ensuing regional confrontation between ASEAN and Vietnam during most of the 1980s made Thailand a front-line state in the Cambodian conflict. This caused a deep crisis in bilateral relations which was not conducive to any constructive efforts aimed at resolving fissures in relations.

Bilateral relations began to improve quite radically when Chatichai Choonhavan became Thailand's Prime Minister in 1988. He embarked on a policy of co-operation which replaced Thailand's earlier policy of isolating Vietnam.[55] During the 1990s the two countries have established closer links, as expressed by several high-level visits and a number of bilateral co-operation agreements.[56] In September 1991, the then Foreign Minister of Thailand Asa Sarasin visited Vietnam to hold talks with his Vietnamese counterpart. With regard to the question of the maritime boundaries, they agreed to hold talks on the matter "as soon as possible".[57] In October of the same year, Vietnam's Prime Minister made a visit to Thailand to hold talks with his Thai counterpart. During the discussions the two leaders agreed that negotiations on the issue of the common sea boundary would begin before the end of the first quarter of 1992.[58] In January 1992 the then Prime Minister of Thailand Anand Panyarachun and his Foreign Minister visited Vietnam but, according to reports, the territorial dispute was not a subject of discussion.[59] Meetings between the Foreign Ministers and Prime Ministers respectively on separate occasions in July were primarily focused on problems related to fishery disputes.[60] The territorial dispute seems to have been delegated to middle-level officials, as

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during a three-day meeting in September the delegations announced that an agreement had been reached to implement joint development schemes in the sea areas where the two parties had overlapping claims.[61] In May 1993, a spokesman of the Thai Ministry of Foreign Affairs announced that the two governments had agreed to conduct a joint sea demarcation and to establish joint development areas in those zones in the Gulf of Thailand which had overlapping claims.[62] The negotiations concerning the delimitation of the sea border have continued and the most recent round of negotiations was held in Vietnam in early June 1995. No substantial progress was reported from the discussions. However, both delegations shared the opinion that a final agreement could "reasonably be predicted soon".[63]

Although the delimitation of areas of overlapping claims continues to be an issue of concern it does not seem to be the major problem discussed during high-level meetings, as indicated when the then Prime Minister Chuan Leekpai visited Vietnam in March 1994. The need to speed up negotiations to solve all remaining bilateral problems was stressed, but when it came to special measures the only decision was to form a high-level joint commission to solve the fishery dispute and to restore order at sea.[64] The first meeting of the high-level Joint Committee on Fisheries and Marine Order took place in Thailand in March 1995 and the two parties signed an agreement on co-operation in maintaining order at sea and in the joint development of marine resources, that is, aquatic products. The two parties also agreed in principle on the need to set up joint patrol teams in the Gulf of Thailand.[65] Despite these positive developments, accusations and counter-accusations about seizures of fishing ships and even reports of navy units shooting at trespassers have been reported. In fact both countries claimed to have suffered casualties in an incident on 31 May.[66] Subsequent high-level meetings, such as the visit by the Supreme Commander of the Thai Royal Army to Vietnam in early July, and the meeting between the two Foreign Ministers in connection with the 28th Annual ASEAN Ministerial Meeting in Bandar Seri Begawan in late July, indicate that both parties are keen not to allow such incidents to affect relations in any way.[67]

The agreement to engage in joint development of the continental shelf area means that the two countries have decided to move ahead with such joint undertakings despite the fact that the territorial dispute still exists. This could be viewed as a shelving of the sovereignty claims so as to allow joint development of the disputed area. The approach to the territorial dispute itself is to resolve it peacefully through negotiations.

Interestingly enough, it seems that the discussions relating to the territorial dispute have been less troublesome than those dealing with the

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fishery dispute and order at sea, and also to some extent less complicated than the issue of how the Mekong Committee should operate.[68]

Vietnam's Attitude Towards Border Disputes and Regional Stability in Southeast Asia

From the above analysis of Vietnam's border disputes with its neighbours, it is evident that Hanoi is pursuing a fairly consistent policy on how to settle them. Vietnam favours formal negotiations, stressing the fact that the border disputes must be handled through peaceful measures and that the concerned countries must refrain from the use of force.

Vietnam has not expressed any preference for negotiations involving more than two countries to deal with border disputes; all negotiations currently under way are bilateral. This implies that the multilateral disputes, that is, overlapping claims by Vietnam and at least two other claimants, are not subject to formal negotiations. The multilateral dispute over the whole or parts of the Spratly archipelago currently involves Vietnam, Brunei, China, Malaysia, the Philippines, and Taiwan, and it is potentially the most dangerous conflict from a regional perspective. However, the overlapping claims in other areas of the South China Sea also present potential dangers to regional stability.

The joint development agreements between Malaysia and Vietnam as well as between Thailand and Vietnam show that Vietnam is amenable to such arrangements pending the achievement of a proper delimitation of the disputed areas. Thus, Hanoi would not oppose such schemes in other bilateral territorial disputes in sea areas.

Why then have such joint development schemes not been agreed upon in the following bilateral disputes: Vietnam–Cambodia, Vietnam–China, and Vietnam–Indonesia? The relatively recent military conflicts between Vietnam and Cambodia as well as between Vietnam and China could probably explain the more cautious approach when it comes to engaging in joint development projects in disputed areas because of the residual feelings of uncertainty pertaining to the counterpart's long-term intentions. Another explanatory factor could be that Vietnam has both land and sea border conflicts with Cambodia and China and this could contribute to making joint development schemes a less attractive option. In other words, the land border disputes with Cambodia and China do not hold the potential for rewarding joint ventures because of the lack of raw materials in these areas. Furthermore, the land border disputes are primarily related to the issue of the proper demarcation of borders on which the involved parties basically agree, and the disputed areas are minor, at least in terms of land areas.

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With regard to the border dispute between Vietnam and Indonesia, the above factors are not relevant since there has been no military conflict between the two countries and the border dispute involves only sea areas. In fact, Indonesia has enjoyed comparatively better relations with Vietnam than any other member-state of ASEAN since the 1960s. Judging from Vietnam's willingness to engage in joint development schemes with Malaysia and Thailand, respectively, the opposition or reluctance to enter into such schemes in the case of Indonesia and Vietnam probably stems from the Indonesian side.

If attention is turned to the wider regional dimensions of Vietnam's policy on border disputes, the first question to ask is what effect Vietnam's accession to membership of ASEAN, on 28 July 1995,[69] will have on the handling of its border conflicts.

Vietnam's membership will most certainly make the disputes with its fellow ASEAN members more manageable but it will not necessarily make their formal resolution more likely. After all, ASEAN has been successful in ensuring that disputes between its members have not evolved into open military conflicts, but several border disputes still remain unresolved twenty-eight years after the creation of ASEAN. Some examples of such conflicts are, first, those between Indonesia and Malaysia with overlapping sovereignty claims over the two smaller islands — Sipadan and Ligitan — off the east coast of the large island of Borneo, and over sea areas in the same region, and secondly, those between Malaysia and the Philippines relating to overlapping sovereignty claims to part of the Spratly archipelago and areas in the Sulu sea. Furthermore, there is a lingering Filipino sovereignty claim to the East Malaysian State of Sabah.[70]

With regard to multilateral disputes, the ASEAN countries have not been able to formulate a full-fledged policy on how to resolve the disputed issues in the South China Sea. Nevertheless, the ASEAN Declaration of July 1992 provides some basic principles for the management of the disputes. In essence, the Declaration calls for the peaceful settlement of the contending Spratlys claims, without resorting to force, and it also calls upon the concerned parties to exercise restraint so as to create a positive climate for the eventual resolution of the conflict situation.[71] The ASEAN position looks very much like a compromise formulated in such a way as to accommodate the three ASEAN members with a direct stake in the conflict, that is, Brunei, Malaysia and the Philippines. In other words, as long as some ASEAN members are involved in the Spratly conflict ASEAN, as an organization, will not be in a position to take a more active role in mediating a settlement of the whole conflict involving also claimants who are not ASEAN members.

What then could be said about Vietnam's attitude towards border

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disputes and its implications for the stability of the region in general, and for ASEAN in particular. Since Vietnam is advocating that all its border disputes be settled peacefully through negotiations, its attitude contributes to maintaining stability in the region. Vietnam is also pursuing a policy of active diplomatic contacts with its neighbours with the goal of improving and strengthening bilateral relations in general and in order to handle the disputed issues with the different neighbouring countries. This policy contributes to enhancing the stability of the region from a more general perspective.

In 1992, Vietnam acceded to the Treaty of Amity and Co-operation in Southeast Asia (TAC).[72] It is a member of the ASEAN Regional Forum which held its first meeting in 1994.[73] From 1993, Vietnam also actively sought to gain membership of ASEAN.[74] This suggests Vietnam's desire to become more formally involved in the ongoing process of integration in Southeast Asia and in the process of multilateral confidence-building and dialogue in the wider Asia-Pacific region. From this perspective, it can be argued that Vietnam contributes to the process towards enhanced regional stability. Its membership of ASEAN will strengthen the organization's overall policy of promoting regional integration and co-operation and is likely to increase the respect for fundamental principles of interstate behaviour enshrined in the TAC, such as non-interference in the internal affairs of other states and the peaceful settlement of inter-state conflicts.

However, with regard to the Spratlys, Vietnam's membership cannot be expected to change the position of ASEAN towards the enunciation of a more formal policy. The process of compromise in establishing a common policy will not be easier when having to take into consideration the strategic interests of yet another ASEAN member with sovereignty claims over the Spratlys. However, since Vietnam has continuously been supporting the current ASEAN position with regard to the Spratlys, as can be seen from Vietnam's expressed support for the July 1992 ASEAN Declaration on the South China Sea,[75] it can be expected that its recent accession to membership will not alter the ASEAN position but rather give it additional clout in the ongoing process of dialogue relating to that conflict and others in the South China Sea.

NOTES

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1. Both Vietnam and Brunei Darussalam have sovereignty claims over Louisa Reef in the south of the Spratly archipelago but the reef is under Malaysian control. A conflict over overlapping claims to 200-mile exclusive economic zones (EEZ) could emerge if the two parties begin to assert such claims over islands and reefs in the area (Mark J. Valencia, *Malaysia and the Law of the Sea: The Foreign Policy Issues, The Options and Their Implications* (Kuala Lumpur: Institute of Strategic and International Studies Malaysia, 1991), pp. 48–50 and 66–67. In the context of this study, this situation is viewed as a non-activated border dispute.
2. The long land border between Laos and Vietnam is currently not disputed. For details pertaining to border agreements since 1954, see Bernard Gay, "La Frontière Vietnamo-Lao de 1893 à Nos Jours", in *Les Frontières du Vietnam. Histoire des Frontières de la Péninsule Indochinoise*, Travaux du Centre d'Histoire et Civilisations de la Péninsule Indochinoise Publiés Sous la Direction de P.B. Lafont, Collection Recherches Asiatiques, Dirig par Alain Forest (Paris: Éditions L'Harmattan, 1989), pp. 222–32.
3. Unless otherwise indicated, the information contained in this section is derived from Ramses Amer, *The United Nations and Foreign Military Interventions: A Comparative Study of the Application of the Charter*, second edition, Report no. 33 (Uppsala: Department of Peace and Conflict Research, Uppsala University, 1994), pp. 38–40 and 194–201; and Ramses Amer, "The Ethnic Vietnamese in Cambodia: A Minority at Risk?", *Contemporary Southeast Asia* 16, no. 2 (September 1994): 210–38.
4. T.R.V. Prescott, H.J. Collier and D.F. Prescott, *Frontiers of Asia and Southeast Asia* (Melbourne: Melbourne University Press, 1977), pp. 88–89.
5. On 30 April 1989 the PRK officially changed its name to the State of Cambodia (SOC).
6. Epsey Cooke Farell, "The Socialist Republic of Vietnam and the Law of the Sea: An Analysis of Vietnam's Behavior Within the Emerging International Ocean Regime", Ph.D. dissertation, University of South Carolina (Ann Arbor: University Microfilms International, 1992), pp. 327–30. For references to these and other agreements, see Pierre-Lucien Lamant, "La Frontière Entre le Cambodge et Le Vitnam du Milieu du XIXe Siècle à Nos Jours", in *Les Frontières du Vietnam. Histoire des frontières de la Péninsule Indochinoise*, Travaux du Centre d'Histoire et Civilisations de la Péninsule Indochinoise Publiés Sous la Direction de P.B. Lafont, Collection Recherches Asiatiques, Dirigé par Alain Forest (Paris: Editions L'Harmattan, 1989), pp. 180–81.
7. King Sihanouk's accusations were put forward in an interview with Nayan Chanda of the Far Eastern Economic Review in May 1994 ("The Centre Cannot Hold. Sihanouk Fears for the Future of His Country", *Far Eastern Economic Review*, 19 May 1994, p. 20).
8. For some recent statements of the PDK against Vietnam, see British Broadcasting Corporation, Summary of World Broadcasts, Part Three, Far East/2255/B/1-2, 18 March 1995; 2297/B/1-2, 8 May 1995; 2304/B/6-7, 16 May 1995; 2336/B/2, 22 June 1995; 2342/B/1-2, 29 June 1995; 2362/B/2-3, 22 July 1995; 2365/B/1, 26 July 1995; and, 2378/B/1, 10 August 1995 (hereafter cited as BBC/FE).
9. This can be seen in Vietnam's response to King Sihanouk's accusations in May 1994; see "Hanoi Denies Any Ambitions on Khmer Territory", *Straits Times*, 18 May 1994, p. 7; "Vietnam Ready To Negotiate Border Problems with Cambodia", *Agence France Press*, Hanoi, 13 May 1994; and "Vietnam Denies King Sihanouk's Border Accusations", *Agence France Presse*, Hanoi, 17 May 1994. On this issue, see also Ramses Amer, "Challenge of the Khmer Rouge", *ISEAS Trends* No. 46 (Supplement in the *Business Times* [Singapore], Weekend Edition, 25–26 June 1994), p. IV. More recently, this was displayed in the press communiqué issued following First Prime Minister Prince Norodom Ranariddh's visit to Vietnam in January 1995 and in the press communiqué

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issued following President Le Duc Anh's visit to Cambodia in August (*BBC/FE/2205/B/2-3*, 19 January 1995; and, 2378/B/2-3, 10 August 1995).

10. The Governor General Brévié made this distinction in his decision of 31 January 1939; see Sarin Chhak, *Les Frontières du Cambodge. Tome I Les Frontières du Cambodge Avec les Anciens Pays de la Fédération Indochinoise: le Laos et le Vietnam (Cochinchine et Annam)* (Paris: Librairie Dalloz and Centre d'Études des Pays d'Extrême-Orient Asie du Sud-Est, 1966), p. 158; and Tran Van Minh; "Les Frontières du Cambodge et du Vietnam. Deuxième Partie: les Frontières Maritimes", *Revue Juridique et Politique, Indépendance et Coopération*, Tome 33, No. 1 (March 1979), p. 39. For the text of Brévié's decision, see Sarin, op. cit., pp. 207–8; and Tran, op. cit., pp. 62–63.
11. Pierre-Bernard Lafont, "La Frontière Maritime du Viêtnam", in *Les Frontières du Vietnam. Histoire des Frontières de la Péninsule Indochinoise*, Travaux du Centre d'Histoire et Civilisations de la Péninsule Indochinoise Publiés Sous la Direction de P.B. Lafont, Collection Recherches Asiatiques, Dirigé par Alain Forest (Paris: Editions L'Harmattan, 1989), p. 239.
12. For details pertaining to the alleged "Vietnamization" of Cambodia during the PRK/SOC period, see, for example, Marie Alexandrine Martin, "Le Processus de Vietnamisation au Cambodge", *Politique Internationale*, No. 24 (Été, 1984), pp. 177–91; Marie Alexandrine Martin, *Le Mal Cambodgien. Histoire d'une Société Traditionelle Face à ses Leaders Politiques 1946–1987* (Paris: Hachette, 1989), pp. 206–27; J. R. Pouvatchy, *The Vietnamisation of Cambodia*, ISIS Seminar Paper (Kuala Lumpur: Institute of Strategic and International Studies Malaysia, 1986); and, "The Vietnamisation of Kampuchea. A New Model of Colonialism", *Indochina Report*, Pre-Publication Issue (October 1984). In his analysis of the border issues between Cambodia and Vietnam during the PRK years, Pierre-Lucien Lamant relied heavily on some of these studies and on related ones (see Lamant, op. cit., pp 180–81).
13. Unless otherwise indicated, the information contained in this section is derived from Ramses Amer, *The Ethnic Chinese in Vietnam and Sino-Vietnamese Relations* (Kuala Lumpur: Forum, 1991); and, Ramses Amer, "Sino-Vietnamese Normalization in the Light of the Crisis of the Late 1970s", *Pacific Affairs* 67, no. 3 (Fall 1994): 357–83.
14. *BBC/FE/1227/A/1*, 12 November 1991.
15. For the full text of "The Law of the People's Republic of China on its Territorial Waters and Their Contiguous Areas" adopted by the Standing Committee of the National People's Congress on 25 February 1992, see ibid., 1316/C1/1-2, 28 February 1992.
16. Beginning in late January 1995, the tension increased between China and the Philippines around the Spratly archipelago. The Philippines has accused China of establishing military facilities on Mischief Reef in the archipelago, and sixty-two Chinese fishermen were later detained by the Philippines. China has refuted the accusations that the facilities are for military purposes. Talks were held in Manila in March, at Vice Foreign Minister level but no agreement was reached. Another round of talks in August resulted in an agreement on a "code of conduct" to be followed by the two countries in order to avoid an increase in the level of tension around the archipelago but the differences regarding Mischief Reef were not resolved (*BBC/FE/2217/G/1*, 2 February 1995; 2223/B/1-2, 9 February 1995; 2224/G/1, 10 February 1995; 2225/B/8-9, 11 February 1995; 2233/B/6, 21 February 1995; 2235/B/4-5, 23 February 1995; 2260/B/3 and G/1, 24 March 1995; 2261/B/3, 25 March 1995; 2268/B/4, 3 April 1995; 2277/B/3, 13 April 1995, 2282/B/4, 20 April 1995; 2284/G/1, 22 April 1995; 2301/G/1, 12 May 1995; 2306/G/1, 18 May 1995; 2307/B/4, 19 May 1995; 2319/B/3, 2 June 1995; 2323/B/6, 7 June 1995; 2331/B/3, 16 June 1995; 2336/B/4, 22 June 1995; 2338/B/3, 24 June 1995; 2358/B/1, 18 July 1995; 2366/B/2, 27 July 1995; 2370/S2/2-3, 1 August 1995; 2376/B/4, 8 August 1995;

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2378/B/4-5, 10 August 1995; 2379/B/3, 11 August 1995; 2380/B/3-4, 12 August 1995; and, 2381/G/9, 14 August 1995).

17. Author's discussions with officials and researchers in Hanoi and visit to the Vietnamese border province of Lang Son in December 1994.
18. *BBC/FE/1825/B/2*, 21 October 1993.
19. Author's discussions with officials and researchers in Hanoi in December 1994. See also *BBC/FE/1935/B/3*, 2 March 1994; 1936/G/2-3, 4 March 1994; 1957/B/7, 28 March 1994; 2038/G/4, 4 July 1994; 2046/G/2, 13 July 1994; 2187/B/5, 28 December 1994; 2210/B/4, 25 January 1995; 2273/G/1-2, 8 April 1995; 2311/B/6, 24 May 1995; 2315/B/1, 29 May 1995; 2329/G/1, 2 June 1995; and, 2340/B/1-2, 27 June 1995.
20. *BBC/FE/2160/B/1-2*, 23 November 1994. There have been no reports on any meeting of this new joint working group but the Spratly dispute was high on the agenda during the visit by Vietnam's Foreign Minister to China in May 1995 (*BBC/FE/2307/G/1*, 19 May 1995). In July, discussions on the border issues were held at the government-level and apart from reviewing the progress made at the expert-level meetings relating to the land border and the Gulf of Tonkin, the two parties also announced that a group of experts had been formed to work on the territorial issues in the South China Sea (*BBC/FE/2356/G/6-7*, 15 July 1995). According to the Chinese official version, the experts would work on the "territorial waters issues . . . and negotiate on the Nansha issue", that is, on the Spratly issue but not on the Paracel issue (*BBC/FE/2356/G/6-7*). According to the Vietnamese official version, a "joint working group on sea border" was formally set up and its "working mechanism of operation" was discussed. The Vietnamese version does not specify which geographical areas are to be dealt with by the working group (*BBC/FE/2356/G/6*).
21. Farell, op. cit., pp. 386–87.
22. Valencia, op. cit., pp. 41–46.
23. Prescott, et. al., op. cit., p. 36.
24. Farell, op. cit., pp. 386–88.
25. Ibid., pp. 388–400.
26. Ibid., p. 400; and, *BBC/FE/1214/A3/5-6*, 28 October 1992; *BBC/FE/1215/A3/3-4*, 29 October 1991; and 1984/B/6, 29 April 1994.
27. *BBC/FE/1214/A3/6*, 28 October 1992; and, *BBC/FE/1262/A3/4*, 23 December 1991.
28. *BBC/FE/1447/A2/3*, 31 July 1992.
29. *BBC/FE/1613/A2/2*, 15 February 1993; and, *BBC/FE/1710/A2/5*, 9 June 1993.
30. *BBC/FE/1984/B/6*, 29 April 1994; and, *BBC/FE/1986/B/3*, 2 May 1994.
31. *BBC/FE/1984/B/6*, 29 April 1994.
32. Valencia, op. cit., pp. 36, 38–46 and 54–67.
33. *The Hoang Sa and Truong Sa Archipelagoes (Paracels and Spratly) II* (Hanoi: Vietnam Courier, 1985), p. 136 (hereafter cited as, *The Hoang Sa*).
34. Ibid., p. 146.
35. Valencia, op. cit., pp. 19 and 66; and Farell, op cit., p. 421.
36. *The Hoang Sa*, pp. 149–50 and 155–58.
37. *BBC/FE/1284/A3/3-4*, 22 January 1992; *BBC/FE/1285/A3/1*, 23 January 1992; and *BBC/FE/1286/A3/3-4*, 24 January 1992. There were press reports claiming that an agreement had been reached by the two Foreign Ministers on the joint development of the continental shelf areas of the South China Sea which are claimed by both parties (*The Star* [Kuala Lumpur], 22 January 1992, p. 1; 23 January 1992, p. 2; and 24 January 1992, p. 2).
38. *BBC/FE/1362/A3/1-2*, 23 April 1992.
39. *BBC/FE/1411/A2/2*, 19 June 1992; and *BBC/FE/1489/A1/2*, 18 September 1992.
40. Valencia, op. cit., p. 64; and *The Philippines and the South China Sea Islands. Overview*

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and Documents, CIRSS Papers, No. 1 (Pasay City, Metro Manila: Center for International and Strategic Studies, Foreign Service Institute, December 1993), pp. 36.

41. Ibid., pp. 11–12.
42. Ibid., p. 12; and *The Hoang Sa*, p. 141.
43. Ibid., pp. 145–48.
44. *BBC/FE/1318/A3/2-3*, 2 March 1992.
45. *BBC/FE/1440/A1/2*, 23 July 1992.
46. *BBC/FE1538/A1/1-2*, 14 November 1992.
47. *BBC/FE/2043/B/3*, 9 July 1994.
48. *BBC/FE/2050/B/8*, 18 July 1994; and, *BBC/FE/2055/B/1-2*, 23 July 1994.
49. *BBC/FE/2171/B/3*, 6 December 1994; *BBC/FE/2172/B/2*, 7 December 1994; *BBC/FE/2175/B/5*, 10 December 1994; and, *BBC/FE/2178/B/2*, 14 December 1994.
50. *BBC/FE/2224/B/6-7*, 10 February 1995.
51. The most recent upsurge in tension was related to Vietnamese accusations that Taiwan had been shelling at Vietnamese merchant ships in late March and again in early April 1995, and that Taiwan was erecting buildings on a reef (named Ban Tanh by the Vietnamese and Meipan by the Taiwanese) in the Spratly archipelago. Taiwan refuted these accusations and stated that it only controlled Itu Aba island. A statement made by the Ministry of Foreign Affairs of Taiwan on 11 May 1995, reaffirming Taiwan's sovereignty claims over the Spratly archipelago, warranted an official Vietnamese statement refuting the Taiwanese claim (*BBC/FE/2269/F/1*, 4 April 1995; *BBC/FE/2272/B/3-4*, 7 April 1995; *BBC/FE/2281/B/1*, 9 April 1995; *BBC/FE/2284/F/2*, 22 April 1995; *BBC/FE/2302/F/3-4*, 13 May 1995; *BBC/FE/2307/B/1*, 19 May 1995; *BBC/FE/2325/F/3*, 9 June 1995; and, *BBC/FE/2327/F/2*, 12 June 1995).
52. Farell, op. cit., p. 363; and Prescott, et al., op. cit., pp. 88–89.
53. Ibid., p. 88; and Farell, op. cit., pp. 363–69.
54. Ibid., p. 396.
55. Surin Maisrikrod; "'The Peace Dividend' in Southeast Asia: The Political Economy of New Thai-Vietnamese Relations", *Contemporary Southeast Asia* 16, no. 1 (June 1994): p. 49.
56. For details concerning agreements and growing economic links, see ibid., pp. 49–55.
57. *BBC/FE/1183/A3/1-2*, 21 September 1991.
58. *BBC/FE/1218/A3/1*, 1 November 1991.
59. *BBC/FE/1280/A3/1-2*, 17 January 1992; and, *BBC/FE/1281/A3/8-12*, 18 January 1992.
60. *BBC/FE/1439/A1/2-3*, 22 July 1992; and *BBC/FE/1450/A2/3*, 4 August 1992.
61. *BBC/FE/1492/A2/1*, 22 September 1992. According to Surin Maisrikrod, Thailand and Vietnam agreed in principle to jointly develop the disputed areas and the two countries could conduct joint development projects with a third country. The two countries would also continue to try to establish a clear demarcation line in the disputed areas (Surin, op. cit., p. 57).
62. *BBC/FE/1697/A2/1*, 25 May 1993.
63. *BBC/FE/2327/B/4*, 12 June 1995.
64. *BBC/FE/1952/B/4-5*, 22 March 1994.
65. *BBC/FE/2251/B/4*, 14 March 1995; *BBC/FE/2253/B/1*, 16 March 1995; *BBC/FE/2256/B/4-5*, 20 March 1995; *BBC/FE/2321/B/1*, 5 June 1995; and *BBC/FE/2327/B/5*, 12 June 1995.
66. *BBC/FE/2273/B/5*, 8 April 1995; *BBC/FE/2321/B/1*, 5 June 1995; and *BBC/FE/2327/B/5*, 12 June 1995. See also Michael Vatikiotis, and Adam Schawrz, "Crossed Lines. Thailand and Vietnam Clash over Fishing Rights", *Far Eastern Economic Review*, 15 June 1995, p. 16. Thailand claimed to have killed two and captured another Vietnamese "official", and "rescued" nine fishermen when their boat sank. Thailand officially announced

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that the captured Vietnamese, the fishermen and the bodies of the two dead were sent back to Vietnam on a Thai vessel on 28 June (*BBC/FE/2340/B/2*, 27 June 1995).

67. *BBC/FE/2350/B/5*, 8 July 1995; *BBC/FE/2352/B/7*, 11 July 1995; and; *BBC/FE/2370/S2/6*, 1 August 1995.
68. For a more detailed discussion concerning the fishery dispute and the divergence in opinions regarding the operation of the Mekong Committee, see Surin, op. cit., pp. 55–59.
69. *BBC/FE/2369/S2/1*, 31 July 1995.
70. For more details pertaining to Malaysia's territorial disputes with other ASEAN members, see Valencia, op. cit., pp. 19–90.
71. The ASEAN Declaration on the South China Sea has been reproduced in *Foreign Relations Journal* 8, no. 1 (March 1993): 136.
72. *BBC/FE/1450/A2/3*, 4 August 1992; and *Straits Times* (Singapore), 23 July 1992, p. 15. The TAC was signed by the ASEAN members in Denpasar, Bali, on 24 February 1976 (see M. Rajendran, *ASEAN's Foreign Relations. The Shift to Collective Action* (Kuala Lumpur: Arenabuku Sdn. Bhd, 1985), pp. 275–78. The fundamental principles of the TAC are listed in Article 1 and read as follows: a) Mutual respect for the independence, sovereignty, equality, territorial integrity and national identity of all nations; b) The right of every State to lead its national existence free from external interference, subversion or coercion; c) Non-interference in the internal affairs of one another; d) Settlement of differences or disputes by peaceful means; e) Renunciation of the threat or use of force; and f) Effective co-operation among themselves (as listed in ibid., p. 275).
73. For more details on the process leading up to the creation of the ASEAN Regional Forum, see Michael Antolik, "The ASEAN Regional Forum: The Spirit of Constructive Engagement", *Contemporary Southeast Asia* 16, no. 2 (September 1994): 117–136.
74. See, for example, *BBC/FE/1762/A/-2*, 9 August 1993; *BBC/FE/1887/B/3-4*, 4 January 1994; *BBC/FE/1984/B/6-7*, 29 April 1994; *BBC/FE/1986/B/3*, 2 May 1994; *BBC/FE/2049/B/3*, 16 July 1994; *BBC/FE/2059/B/3*, 28 July 1994; *BBC/FE/2200/B/2*, 13 January 1995; *BBC/FE/2233/B/7-8*, 21 February 1995; *BBC/FE/2236/B/4*, 24 February 1995; and, *BBC/FE/2319/B/4*, 2 June 1995. In early April 1995 it was announced that the Vietnamese Government had established an ASEAN Secretariat (*BBC/FE/2270/B/3*, 5 April 1995). In 1994 an ASEAN Department had been created within the Ministry of Foreign Affairs (author's interview with Mr Do Ngoc Son, Director, ASEAN Department, Ministry of Foreign Affairs, Hanoi, on 30 November 1994).
75. Vietnam's support for the ASEAN Declaration was emphasized by Mr Do Ngoc Son, Director, ASEAN Department, Ministry of Foreign Affairs, in an interview in Hanoi on 30 November 1994. For other examples, see *BBC/FE/1478/C1/7-8*, 5 September 1992; *BBC/FE/1538/A/1-2*, 4 November 1992; *BBC/FE/2030/B/4-5*, 24 June 1994; *BBC/FE/2260/B/2*, 24 March 1995; and, *BBC/FE/2272/B/3-4*, 7 April 1995. On 22 March 1995, in connection with the increased tension between China and the Philippines around the Spratly archipelago, Vietnam officially stated its support for a statement made by the Foreign Ministers of the ASEAN members on 18 March which expressed concern over the developments in the South China Sea, in particular relating to Mischief Reef, and urged the claimants to all or parts of the Spratly archipelago to abide by the spirit of the July 1992 ASEAN Declaration (*BBC/FE/2260/B/2*, 24 March 1995).

RAMSES AMER is a Research Associate in the Department of Peace and Conflict Research, Uppsala University, Sweden.

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Interactive Naval Developments of Three Northeast Asian States

RENATO CRUZ DE CASTRO

This article discusses the dynamics of naval developments by three Northeast Asian states and how this might affect regional stability. It argues that China's naval force modernization cannot be adequately explained without looking at its regional context. It notes further that China's modernization programme is a response to the more advanced arms modernizations being implemented by its two neighbours, Taiwan and Japan. The article concludes by arguing that China's build-up of its naval and air forces is occurring within an emerging arms race in Northeast Asia.

Unlike Europe, the Asia–Pacific in the post-Cold War era faces a regional security environment characterized by uncertainty and complexity. Instead of experiencing a general decline in both inter-state political tension and arms build-up like Europe, local rivalries and new evolving power balances in the Asia–Pacific are coming out into the open, given the removal of superpower restraints imposed during the Cold War. The local origins of these regional conflicts and power balances were tangential to the Cold War, and thus the termination of the Cold War has made little impact on them. Furthermore, the lowering of superpower concern and engagement in the Asia–Pacific has given more leverage to local powers to reshape the geopolitical environment of their region.[1]

In the face of this uncertain security environment, regional states are acquiring a broad range of modern military systems which are transforming their strike capabilities.[2] The level of the arms build-up may not be as intense as in Europe during the Cold War, and no state has yet acquired the capability to impose its military hegemony. But there are

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already emerging forms of inter-state rivalry or competition short of conflict and most regional states are increasing their power-projection capabilities in ways which could be dangerous if regional political relationships deteriorate in the future. These trends are present in Northeast Asia.

Apart from the Korean peninsular, current security concerns in Northeast Asia are focused on the People's Republic of China's (PRC's) development of power-projection capabilities. Recent attention has focused on the PRC's acquisition of modern weapon systems from Russia, its increasing defence budget, and the build-up of its naval and air forces.[3]

There are basically two conflicting explanations for the PRC's current weapons modernization programme: the benign, and the alarmist perspective. The benign perspective states that such actions are temporary and incidental since China's primary concern is still economic development and modernization, not military expansion. On the other hand, the alarmist view sees the PRC's moves as potentially aggressive if not intended to enforce Beijing's hegemony in the region. Although these perspectives differ on the objective of the PRC's arms modernization programme, both explain Beijing's action as primarily motivated by domestic factors, that is, domestic economic interests or hegemonic ambition by its political leadership. This article, however, argues that China's arms build-up cannot be adequately explained without looking at its regional context. To a certain degree, the PRC's arms modernization programme is a response to the more advanced weapons modernizations being implemented by its two neighbours, Taiwan and Japan. China's build-up of its naval and air forces is occurring within an emerging arms race in Northeast Asia. Like the Anglo-German naval arms race of the early 1900s or the U.S.-Soviet arms race during the Cold War, China's arms modernization is part and parcel of a systemic regional arms race made complicated by mutual suspicions among the three so-called dragon states. This article discusses the dynamics of this Northeast Asian arms race and how it might affect regional stability.

The Emergence of the PRC's Forward Deployment Doctrine

Current regional concern is primarily focused on the development of the PRC's power-projection capabilities made possible by the modernization of its naval and air capabilities. This is only logical and natural since China has often been viewed as a continental, and essentially land-based, power without substantive air and naval forces. This condition was essentially due to concern with the landward threat emanating from the United States in the 1950s and later from the former Soviet Union during the Sino-Soviet dispute in the 1960s. To counter these threats, the PRC adopted

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the traditional land-based threat orientation of its predecessor (Imperial China) and adapted it to post-revolutionary conditions in the form known as "People's War". The "People's War" doctrine is based on the passive concept of defence-in-depth and calls for the application of attritional and guerrilla tactics against invaders.

The ascendancy of Deng Xiaoping to power in the mid-1970s marked the development of China's maritime interests, the subsequent change in China's defence doctrine and the development of the People's Liberation Army (PLA) into a conventional force with air and naval units capable of projecting power. Deng's programme of reforms — the four modernizations — have had an important impact on Chinese maritime interests and defence modernization. Moving away from the traditional Soviet-style command economy, the modernization programme made bold moves which highlighted the growing importance of maritime issues to Chinese long-term economic development.[4]

Apart from developing China's maritime interests, modernization also provided for the restructuring of the PLA into a conventional force with air and maritime capabilities. Under the modernization programme, the PLA developed its conventional capabilities through the establishment of national defence industries.[5] The PLA was thus able to improve its mobility and logistics. With some assistance from other countries, China was able to upgrade its J-8 interceptors, large calibre ammunition, artillery-locating radar, anti-submarine torpedoes, helicopters, naval gas-turbine engines, coastal defence radar, and a range of communications equipment.[6] Modernization of the PLA has enabled China to acquire limited power-projection capabilities by making it possible to develop its air and naval components.

An important factor in the evolution of China's power-projection objectives occurred in the late 1970s when the Soviet Pacific Fleet was able to gain access to naval and air bases in Vietnam. This enabled the Soviet Navy to increase its naval activities along China's adjacent seas, causing concern in Beijing. This development led China to focus a great deal of its attention on reassessing its traditional coastal defence doctrine.

Various developments in the mid-1980s pushed China into giving more priority and concern to its maritime environment. The most crucial, perhaps, was the change in its defence orientation. The development of strategic parity between the United States and the USSR in the 1970s led to a change in Beijing's assessment of global politics. Seeing that the balance of power between the two superpowers had remained stable while regional powers were emerging in the late 1970s, Beijing concluded that the prospect of a major war was minimal. China's perception of a super-power stalemate led it to conclude that it would not be faced with major

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military threats from the superpowers but would have to face military threats from local and regional powers.[7]

Thus, in the spring of 1985, the Central Military Commission of the Chinese Communist Party (CCP) ordered the PLA to draft a new defence doctrine. The CCP directed the PLA to re-focus its strategic doctrine away from a major nuclear war towards limited local conventional war, concentrated around China's borders.[8] Thus, a new defence doctrine has been evolving since 1985 to replace the doctrine of "People's War". Articulating Deng's thesis that a major war was unlikely, this evolving defence doctrine saw China facing a constant threat to its borders and territorial waters. Reviewing major local wars over the past ten years, the PLA concluded that a principal cause of wars was territorial disputes.[9]

Since the mid-1980s, the PLA has been altering its defence doctrine from fighting an overall war to that of dealing with incidents related to territorial disputes.[10] The PLA is preparing itself for the likelihood of local, limited conflict in the south that has required a greater emphasis on offensive capability. The new Chinese defence doctrine is intended primarily to respond to local and limited threats and has been labelled as the "doctrine of rapid response". In contrast to "People's War", the new doctrine does not involve protracted conflict or mass mobilization, and is no longer passive nor defensive in nature.

The doctrine of rapid response relies on the mobility of existing forces and is basically offensive in nature.[11] It envisions the deployment of combined air, sea, and land forces for conflict along China's periphery. As such, operations will be limited in time, space, and intensity.[12] Hypothetically, such conflict would start without warning and would finish quickly. This would require active duty forces trained for a wide range of missions and climatic conditions and with a high degree of strategic mobility.

This new defence doctrine has led to an eventual change in the force structure and priorities of the PLA. This has meant a shift of emphasis away from the PLA's armour and infantry units to the People's Liberation Army Navy (PLAN) and the People's Liberation Army Air Force (PLAAF) which are essentially strategically deployable forces. A strategy of general war focusing on large-scale ground forces equipped with simple and durable weapon systems has given way to a quest for weapons of far greater complexity and sophistication, mainly in the air and naval arenas.[13] This new doctrine has apparently elevated the PLAN and PLAAF into a position of prominence with respect to defence planning and budget.

Modernization of the PLAN

When the PLAN was established in 1949, it was little more than a coastal

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appendage of the ground forces. It was made up of a rag-tag collection of warships left by the retreating Nationalist Forces; it had 183 craft totalling little more than 43,000 tons. From the 1950s to the mid-1970s, the PLAN ranked low in military priorities although it did receive funds and assistance from the Soviet Union in the mid-1950s. This low ranking given to the PLAN was due to China's overwhelming preoccupation with land-based threats.

Prior to the late 1970s, most of the PLAN's ships and aircraft were given local defence responsibilities and were expected to defend an area not much beyond fifty nautical miles of the Chinese coast.[14] This geographical locale changed in the 1980s. In the face of Soviet naval activities in the Pacific, the PLAN began to see itself as a coherent force made up of a main surface fleet, a submarine fleet, a naval air force, and a coastal defence force. In the 1980s, the PLAN undertook a number of missions to demonstrate its transformation from a force with more than just credibility in coastal operations. The navy was, however, still plagued by budget constraints. At that time, China's defence strategy was still focused on a land-based threat emanating from the Soviet Union.[15]

The relative decline of the Soviet Union in the late 1980s, and the Chinese naval actions against Vietnam in the Spratlys in 1988, caused a major change in the status of the PLAN. These changes are now reflected in the prominent position it occupies and the formation of several new autonomous organizations in the PLA, including an army aviation corps, a marine corps and a nuclear submarine force. The new marine corps is perhaps one of the clearest indications of the PLA's efforts to develop its power-projection capabilities to secure China's interests in its periphery.[16]

But the best indication of the PLAN's changing status is the modernization of its surface and submarine units. Undoubtedly affected by China's disputes with Vietnam and other countries over the Spratlys in the late 1980s, there has been a marked increase in the attention given to naval modernization, as shown by:

- the construction of new ships and submarines;
- the development of improved heavy calibre naval guns; and
- the attempt to develop the PLAN's fleet air arm.

China's rapid economic growth in the 1990s has enabled Beijing to increase defence spending, and the acquisition of advanced arms and technology is providing the Chinese with a long-range power-projection capability intended to secure expanding national security interests.[17] With respect to the PLAN, along with the PLAAF, it has been given priority in obtaining funds for weapons procurement and development.

Another major indication of the PLAN's ongoing modernization

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is the acquisition of major surface combatants with ocean-deployment capabilities. Since the start of the decade, a new generation of surface vessels has become operational. Notable in this trend is the deployment of the Luhu-class destroyer and Jiangwei-class frigate, both representing a marked improvement over the current fleet of Luda-class destroyers and Jianghu-class frigates developed in the 1970s.[18] The 4,500-ton Luhu has improved guns and a missile system, a satellite navigation system, and a helicopter deck and associated hangar. Like the Luhu, the Jiangwei represents a shift in Chinese naval thinking away from ships that operate close to shore in preference to open-ocean deployments. The PLAN is also modernizing its light surface combatants. The first Hoijian Type 520-class missile fast attack craft (FAC) and the Houxin class FAC show a marked improvement over the old FAC modelled after the Soviet Navy's Osa and Komar classes.[19]

Perhaps the best indication of China's intention to develop a blue-water capability has been its interest in acquiring an aircraft carrier.[20] In 1991, the PLAN showed interest when Russia offered to sell an aircraft carrier to it. The high costs and complex logistics burden involved in maintaining a carrier, however, inhibited China from acquiring one then.[21]

With its inability to acquire an aircraft carrier, the PLAN has turned instead to the acquisition and deployment of modern conventional submarines. In November 1994, China signed an agreement with Russia for the purchase of four Russian Kilo-class diesel-electric submarines.[22] The agreement provides for the delivery of one Kilo at the end of 1995 and three more by 1996. Prior to the Kilo deal, China also launched its own new design of a diesel-electric submarine after almost twenty years.[23] Its recent purchase of Kilo-class submarines will substantially increase and improve the PLAN's submarine fleet.

Another possible indication of the PLAN's efforts to develop blue-water capabilities is its attempts to improve logistics and mobility. The PLAN has recently introduced a new class of logistics support ships — the Dayan-class resupply vessels. In addition, the PLAN's support fleet has more than doubled in size since the 1980s, but there are still just a handful of ocean-going vessels, including three Fuqing-class replenishment tankers.[24]

To provide air cover to the PLAN's surface combatants, the Naval Air Forces (NAF) have about three anti-surface attack and five fighter divisions. However, a large number of the NAF's aircraft are mainly for offshore operations (about fifty nautical miles from the coast), and not for blue-water deployments. Only a number of aging S-H 5s (maritime bombers) and a few dozen H-6s (old Soviet-made Badgers) are deployed for maritime operations over the Spratlys.[25] To make up for this inadequacy,

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the PLAAF is being modernized. In 1994, a deal with Russia was finalized for the acquisition of 72 Su-27B Flanker fighters and a facility to engage in the licence production of 200 MIG-31 Foxhound strategic interceptors, and several Ka-28 Helix anti-submarine warfare helicopters, among other aircraft.[26]

The current modernization of the PLAN and PLAAF is part of China's overall plan to develop an ability to acquire a "strategic initiative" in the Asia–Pacific region. Here, "strategic initiative" is defined as possessing the capability to take positive actions to force Beijing's will upon potential adversaries and destroy their capability to put up resistance.[27] Thus, it means China's ability to unilaterally affect current and future developments in the Asia–Pacific.

As the region's traditional and foremost power, China has an interest in maintaining a certain freedom of action in affecting regional developments to suit its interests. In order to maintain its freedom of action, while at the same time having the ability to influence regional developments, China needs a modern and strong navy and air force as instruments of its national policy. Concretely, "strategic initiative" for China means the development of its capabilities to alleviate or resolve concerns regarding national security and territorial integrity. These concerns include:

- asserting an independent foreign policy free from external (specifically superpower) constraints;
- asserting China's sovereignty over the South China Sea islands in the face of other claimants;
- restraining Taiwan's independent movement and possibly effecting forceful unification; and
- curtailing Japanese rearmament.

Among these concerns, the last two are deemed most important and crucial by Beijing. It has always been the PRC's position that Taiwan is an inalienable part of China and that Beijing is entitled to use all means at its disposal, including military, to impose its sovereignty over the island. But Taiwan has become an economic and military power in its own right and has been able to move away from the diplomatic isolation it suffered in the late 1970s. More recently, Taiwan's pro-independent Democratic Progressive Party has evolved into a strong political force on the island. These trends towards independence have alarmed Beijing, which has repeatedly warned of dire consequences if Taiwan declares its independence.

Next to its concern with Taiwanese independence, China is interested in Japan's future role in the region and particularly its security role in the light of perceived U.S. force restructuring and lack of credibility in Asia. This concern stems from China's deep-seated antipathy to Japan, suspicion

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of its intentions, and opposition to Japan's increasing nationalism and international activism.[28] Although China has maintained dynamic economic relations with Taiwan and Japan, its leverage over these two states is very limited. Thus, Beijing has to rely on its military capabilities as a powerful tool to persuade Taipei and Tokyo to accord to its viewpoint.

Taiwan's Reaction to China's Naval Modernization

Perhaps the state which is most alarmed by the PRC's naval modernization programme is Taiwan (Republic of China). Considered a renegade province by the PRC, the ROC (Republic of China) has viewed any attempt by Beijing to forcibly reunify with it as the greatest threat to its national survival. Beijing's resort to military pressure in 1954, 1958 and 1962 is still fresh in the collective memory of the Taiwanese. This threat perception is exacerbated by Beijing's continuous reaffirmation of its right to forcefully reunify with Taiwan on the grounds that the latter is merely a Chinese province.

With China's rapid economic development and the PLAN's modernization programme, the prospect of Taiwan's survival as an independent political entity in the future might be called into question. In 1992, Taiwan's Ministry of National Defence released a 272-page document stating that the threat to Taiwan by the PRC had increased because of Chinese military modernization efforts and the collapse of the Soviet Union. According to the report, China had shifted its military build-up from its borders with the former Soviet Union to its southeastern boundary, where the approximately 100-nautical-mile-wide Taiwan Strait separates the two Chinese rivals.[29] In March 1995, the ROC Chief of the General Staff Liu Ho-Chien was quoted as saying that, "As long as its military capacity allows it, the mainland won't rule out the possibility of using force against Taiwan".[30]

Faced with an irredentist continental power with emerging power-projection capabilities, the primary security concern of Taiwan is the dreaded prospect of forceful unification with the PRC. Thus, deterrence is the ROC's main security objective and should that fail then the ability to destroy an invading force before it reaches the Taiwanese coast. The ROC's maritime security doctrine is based on the development of air superiority over naval approaches from the mainland; using naval power to break sea blockades, and the deployment of combined air and naval power against seaborne invasion from the mainland. Thus, Taiwan's maritime security doctrine assumes a very aggressive forward strategy to neutralize a Chinese invasion force while it is still in port. To support this strategy, the ROC has developed advanced early warning systems,

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intelligence gathering networks, and electronic surveillance of possible staging areas on the mainland.

But if the PRC decides to invade Taiwan, the primary maritime security objective of the ROC would be to repulse that invasion. The navy, supported by the air force, will have to impose local air and naval superiority over the Taiwan Strait. The primary maritime task of the Taiwanese armed forces is to ensure that an amphibious assault across the Taiwan Strait is militarily hazardous, economically disastrous, and likely to cause diplomatic and political damage to China.

Taiwan also anticipates the possibility of low-intensity conflict as an alternative to an all-out invasion by China. Such a conflict will most likely involve naval incidents; limited air strikes to destroy selected bases in Taiwan; attacks or pressure on the ROC's offshore islands of Matsu, Kinmen, and the Pescadores; and submarine blockades or the use of mines to disrupt Taiwan's international trade and commerce.

The Cinderella Navy

Prior to the 1980s, Taiwan's navy was regarded as being of little importance compared with other regional navies. Quantitatively, it could not be compared with the PLAN which had 300,000 men and 2,000 assorted craft, while the ROC Navy had only 35,000 men and 350 craft. The withdrawal of the U.S. security guarantee in 1979 accentuated the Taiwanese navy's inadequacies in relation to the PLAN.

Immediately after 1979, however, the ROC Navy underwent a rapid modernization programme. The short-term objectives were to develop technologically, through the deployment of missiles as the standard weapon of the navy, the development of command and control systems, and a viable anti-submarine warfare capability. In pursuit of these objectives, Taiwan concentrated on upgrading its existing fleet of U.S.-made destroyers and frigates. Taiwan's naval dockyards converted its World War II destroyers armed with five-inch guns into relatively modern warships with extensive refit programmes that added anti-ship and ASW (anti-submarine weapon) missiles, ASW sensors, anti-aircraft missile defences, new five-inch gun turrets, new electronic systems, ASW helicopters, and new propulsion systems.

Taiwan was also able to acquire vessels from other sources. It bought two Dutch-built submarines and related equipment for US$500 million to complement its two U.S.-made Guppy-class submarines. It was also able to purchase four coastal mine-hunters from Germany to supplement its fleet of 20 MCM (mine counter-measures) vessels. Hence, by the mid-1980s, the ROC Navy could deploy 26 missile-armed destroyers and nine frigates,

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57 FAC armed with missiles, supported by self-reliant F-5E jet fighters. By the end of the 1980s, the ROC Navy had developed the capability to "bottle-up parts of the PLAN in the narrow Taiwan Straits".[31] It has been observed that with its 35 principal surface vessels, the ROC Navy is about three times the size of the Royal Australian Navy and is possibly one of the most powerful navies in the region.[32] Accordingly, the Taiwanese navy has developed an infant blue-water capability that puts it ahead of many other navies in the Western Pacific.[33]

In the face of an emerging naval threat brought about by the modernization of the PLAN, the ROC Navy is in the midst of the second phase of its modernization programme. The programme involves the complete overhaul of its surface vessels and the construction of at least eight Chi-Kuang class (4,200 tons) missile frigates. Manufactured by Taiwan's China Shipbuilding Corporation, the Chi-Kuang-class frigates are being built without any foreign assistance,[34] and are an improved version of the U.S. Oliver Perry-class frigates. The new frigates have superior firepower to their U.S. counterparts and additional armaments, such as two S-70C AS helicopters, 40mm guns, and Hsiung-Feng II ship-to-ship missiles.[35] Three of the Chi-Kuang-class frigates have already been commissioned by the ROC Navy. Taiwan is also building six French Lafayette-class frigates (3,200 tons) worth US$4.8 billion, with a possible ten in the pipeline. These ships are being fabricated in France and armed and assembled in Taiwan. The Lafayette frigates are equipped with Hsiung-Feng II ship-to-ship missiles (SSM), an Oto Melara 76mm gun, French K69 torpedoes, and Kamen Sh-2F helicopters.

The Taiwanese navy is also improving its anti-submarine capabilities. Recently, it received six ex-U.S. Navy Knox-class ASW frigates (4,200 tons) with advanced weaponry. These ASW frigates were leased from the United States, and will be used for escorting convoys and anti-submarine patrols. These 3,011-ton frigates are armed with Harpoon anti-ship missiles. The ROC Navy is also acquiring various helicopters for use in shore-based ASW blockade busting, and as coastal defence platforms. In 1994, the United States agreed to sell twelve Kaman SH-2F Sprite Lamps shipborne helicopters, related spares, support and training, worth a total US$161 million, to Taiwan. The helicopters will be deployed on board some of the Knox-class frigates.

The Taiwanese navy is also currently in the process of acquiring modern submarines. Recently, it was reported that the navy tried but failed to acquire an export licence to build up to twelve submarines. In lieu of this failure, there was a report that France might sell an unspecified number of Rubis-class submarines to Taiwan.

To maintain air superiority over the Taiwanese Straits, Taiwan is also

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beefing-up its air force. In 1994, the ROC deployed its first squadron of Indigenous Defence Fighters (IDFs). The IDFs are intended to replace Taiwan's aging F-104s and F-5Es, and to supplement its 150 U.S.-made F-16 fighters and Mirage 2000-5s which it is expected to receive in 1996.[36] Considered superior to F-104s and F-5Es, the IDFs are armed with Taiwanese-made Sky Sword II long-range air-to-air missiles and are poised to challenge the PRC's Russian-made Su-27 fighters.[37]

The Development of Japan's Minimum Conventional Capability

Since 1951, Japan's national security policy has been conceived beneath the protective American security umbrella, supplemented by a non-nuclear and essentially defensive Self-Defence Force (SDF). For nearly three decades after 1951, Japan's strategic behaviour was circumscribed by its close security relations with the United States. Protected by the American security guarantee, inhibited by fears of revived militarism at home and among its Asian neighbours, and obliged to follow the United States' political and strategic leadership in the face of the Soviet threat, Japan avoided taking any strategic initiatives which could be interpreted as a "revival of Japanese militarism". Thus, the SDF was relegated to an essentially passive and defensive force whose task was "to raise the cost of aggression against Japan by building the capability to resist an invasion by a limited, small-scale conventional force".[38]

Developments in the 1970s and 1980s, however, forced Japan to reassess its essentially passive and insular security policy. The 1970s witnessed the withdrawal of U.S. forces from Vietnam and the closing of U.S. air force bases in Thailand. At the same time, Japan's relations with the former Soviet Union began to deteriorate. The deterioration was caused by the Sino-Japanese Treaty of 1978, the Soviet invasion of Afghanistan, Soviet support for the Vietnamese invasion of Cambodia, and the USSR's build-up of forces in East Asia.

Faced with these developments, Japanese concern with security matters slowly and tangibly increased in intensity by the early 1980s. The most significant steps towards a more assertive defence posture and policy were made during the term of Yasuhiro Nakasone. The major step taken by Prime Minister Nakasone regarding defence policy involved Japan taking an active role in the Japan-U.S. alliance. In concrete terms, the United States had asked Japan since 1983 to assume primary responsibility for three sectors of defence in Japan's adjacent waters: control of the seas south to the Philippines and Guam; the ability to mine and blockade the passages from the Sea of Japan to the Pacific Ocean; and the building

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of an air defence screen across the Japanese islands to interdict Soviet aircraft.[39] In response to these, Nakasone took steps to alter Japan's essentially passive security policy. The Nakasone years were marked by the extension of Japan's maritime defence zone from 200 to 1,000 nautical miles southeast of Honshu, joint U.S.-Japan planning on sea lines of communication (SLOCs) defence, and the participation of Japan's Maritime Self-Defence Force (MSDF) in RIMPAC exercises with the U.S. Navy.[40] Nakasone also scrapped the post-1976 policy of limiting the nation's defence expenditures to less than one per cent of gross national product (GNP). Thus, given its high economic growth rate, Japan expanded its defence capabilities significantly during the 1980s.

The end of the Cold War and the subsequent collapse of the Soviet Union did not alter Japan's defence build-up which began during Nakasone's term. In fact, from the Japanese perspective, the post-Cold War era was an even more unstable period. The Japanese Government became very conscious of the fact that the huge U.S. budget and balance of payment problems could seriously curtail Washington's ability to finance its security commitment in the Asia–Pacific. Tokyo also became more accommodating to U.S. demands for burden-sharing in the region, as indicated by the East Asia Strategic Initiative of 1990. Finally, Japanese security analysts had also been concerned about potential crises that might ensnare Japan.

Tokyo is also wary of China's successful pursuit of its two major foreign policy objectives: rapid economic growth and the development of its armed forces to ensure China's security against external threats. Specifically, Tokyo is concerned about the security of SLOCs in the South China Sea, with possible conflicts over the Spratlys being the main focus of attention. Although there are numerous claimants, Japan has taken note that in 1992, China asserted its right to use military force to enforce its claims in the area. Japan has also looked with apprehension at China's substantially increasing defence spending and modernizing navy.[41] Japan's suspicions of China's intentions have been intensified by Beijing's claim to the Senkaku Islands.[42]

In the face of this uncertainty, the Japanese Government decided to develop "a minimum conventional defence." The primary objective for minimum defence is to enable Japan to develop the military capability to hold or delay invading forces until the arrival of superior American forces.[43] From the Japanese perspective, Japan's role is to develop a local defensive capability without any offensive capacity that might threaten its nervous Asian neighbours. Thus, it has been argued that the development of Japan's minimum defence is highly desirable since it will relieve the Americans of some of their military burden in the Pacific.[44] It will also involve Japan providing security for the U.S. Seventh Fleet at a conventional

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level just as the United States has been providing security for Japan at the nuclear level. This will possibly involve Japanese maritime forces providing support to U.S. forces up to 4,000 nautical miles out, in joint patrols of vital sea routes to West Asia, as well as relief patrols in the mid-Pacific.[45]

From a Maritime Self-Defence Force to a *de facto* Japanese "Navy"

Prior to the 1980s, the Maritime Self-Defence Force (MSDF) assumed an essentially secondary and passive role in providing for the maritime security of Japan. It was then tasked to deal with limited aggression by maintaining sea-control around the country, and would have to wait for U.S. support to "terminate such contingency". Thus, in the 1970s, the MSDF possessed some ninety patrol craft and more than sixty modern ASW surface combatants and submarines. The MSDF was then essentially designed to operate close to Japanese territorial waters. In addition to its SLOC-defence role, the MSDF had an important sea-denial mission proximate to its home waters.[46]

The ascendancy of Nakasone to the post of Prime Minister, however, altered the MSDF's tasks and its corresponding force structure. Accommodating U.S. demands for defence burden-sharing in the early 1980s, Japan agreed to assume a sea-lane defence mission that extended to 1,000 nautical miles from Japan. This was essentially an adoption of a forward maritime defence strategy which was a break from the insular and passive role the MSDF had assumed since 1951. As a consequence of Japan's commitment to a forward maritime defence strategy, the MSDF was given the green light to expand its capability to protect Japan's vital SLOCs 1,000 nautical miles beyond Honshu, and to engage in combat in coastal waters beyond.

The Mid-Term Defence Programme in the early 1980s provided for an increase of the MSDF's surface vessels from forty-nine to sixty-two, attack submarines from fourteen to sixteen, and P-3C Orion anti-submarine surveillance planes from sixteen to one hundred.[47] Though somewhat less than those asked by the United States, these force level objectives have now been substantially attained.

Although essentially defensive in posture and conducted in close co-ordination with the United States, Japan's 1980 naval build-up has now made the MSDF a significant naval power in the Asia–Pacific region. Even if deficient in power-projection capabilities (specifically, long-range organic air power), the MSDF has become the world's fifth largest navy and now deploys more destroyers and P-3C Orion aircraft than the U.S.

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Seventh Fleet. Furthermore, compared to other Asian navies, the MSDF has the greatest capabilities in terms of open-ocean operations.[48] This is because the MSDF currently patrols SLOCs up to the northern limits of the South China Sea.[49] In the event of a conflict, Japan now has the capability to secure a number of key locations around the region, while at the same time maintaining a moderate maritime force to assist the United States and other friendly navies.[50]

Currently, the MSDF has sixty-four major surface vessels and attack submarines, all equipped with advanced weapon systems. To prepare the MSDF for expanded tasks in the post-Cold War era, it is now currently undergoing the second phase of its modernization programme. The MSDF is building a new class of warships equipped with the U.S. Navy's Aegis fleet defence system. The MSDF intends to add four Aegis destroyers, one having been delivered in 1994 (commissioned as Kongo) and three more are in various stages of construction. Once these four destroyers are operational they will be fully integrated with the rest of the MSDF fleet and land-based air defence forces.[51] It has been reported that each of the Aegis destroyers will also be equipped with thirty-six anti-tactical ballistic missiles as a response to North Korea's ballistic missile programme.[52] It has also been reported that Japan is contemplating procuring another eight Aegis destroyers that will reinforce its air defence screen.[53]

Another important priority of the MSDF is the improvement of its ASW and mine counter-measure capabilities. The MSDF has already acquired eight ASW frigates and will receive two ASW destroyers in the period 1995–97. It has also ordered three new minesweepers to complement its existing fleet of thirty modern minehunters and minesweepers. To provide air support to its emerging "navy", Japan has also upgraded significantly its fighter squadrons, with a plan to purchase 141 FS-X fighters in the pipeline.

Conclusion

Like three dragons in a minuet, the PRC, Taiwan and Japan appear to be engaged in a slow but none the less obvious naval arms race amongst themselves. Each country's naval arms build-up elicits corresponding responses from the other two states. To a certain degree, China's force modernization is a reaction to the force modernizations implemented by Taiwan in the early 1980s and by Japan in the mid-1980s. These interactive force modernizations are complicated by lingering disputes among the three countries. The four-decades-old PRC-ROC dispute over "one China", the PRC's animosity and suspicion towards Japan's security role in the Asia–Pacific region, and Japan's suspicion over the PRC's moves in the

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TABLE 1

Maritime Capabilities of the Three Dragon States (Actual and Potential)

	Destroyers and Frigates	*Patrol 1 and Coastal Combatants*	*Patrol*	*Inshore*	*Amphibious*	*Support*	*Naval AVIATCO*	Warship Construction (current and projected)
Japan	66	13	54 (torpedo crafts & patrol vessels)		6	17	99 cbt ac 77 armed helicopters 99 P-3C	3 Kongo-class Destroyer (Aegis) (1996) 4 Murasami-class Destroyer (1999) 2 Improved Harushio Submarines 3 Sparviero-class FACs (1995)
Taiwan	34	73	3	18	26	13	32 cbt ac 12 armed helicopters	6 Lafayette-class Frigates (1996) 4 Chi-Kuang-class (Perry-class Frigate?) (1996) 2 Tien Tan Frigates (2001) 10 Jin Chiang-class (large patrol craft) (1995)
PRC	55	915	540	380	58	136		3 Kilo-class Submarines (1996) 2 Luhu-class Destroyer (1995) 1 Luda III-class Destroyer (1995) 1 Jiangwei-class Frigate (1996) 2 Jiangwei 1 Frigate (1995) 3 Type 037 Offshore Patrol Vessels 9 Coastal Combatants

Notes: 1. Patrol and coastal combatants include Fast Attack Crafts (FACs).
2. Possible date of deployment.

SOURCES: *Asia-Pacific Military Balance 1994/95* (Kuala Lumpur: ADPR Consult [M] Sdn. Bhd., 1994/95), pp. 136–70; Jane's Fighting Ships, *World Warship Construction* (Current and Projected), 1995, pp. 8–14.

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South China Sea have made this naval build-up in Northeast Asia increasingly ominous.

States outside Northeast Asia have already expressed their concern at these naval trends. Malaysia, Indonesia and, recently, the Philippines have expressed apprehension over China's maritime intentions. The United States itself has voiced its concern about the naval projections in Northeast Asia.[54] This is not surprising as the United States was partly responsible for the build-up. The United States' encouragement of Japan to assume a greater security role in the region had alarmed China, while Washington's sudden recognition of the PRC in 1979 had left Taiwan vulnerable thereby forcing it to build a relatively powerful and modern air and naval deterrent against the mainland. If this suggests anything, it is that any further U.S. policy changes, including further U.S. Navy downsizing, in the region will have an important bearing on the naval programmes of the three Northeast Asian states.

NOTES

1. Barry Buzan, "New Patterns of Global Security in the Twenty-First Century", in *Theory and Practice of International Relations*, edited by William C. Olson (Englewoods, New Jersey: Prentice-Hall, 1994), p. 216.
2. Andrew Mak, "Key Security Issues in the Asia-Pacific", in *Charting the Post-Cold War Order*, edited by Richard Leaver and James Richardson (Boulder, Colorado: Westview Press, 1993), p. 147.
3. For example, see Murray Hiebert, et al., "Treading Softly", *Far Eastern Economic Review*, 3 August 1995, pp. 16–20; and Steven Strasser, "The Neighbours are Restless", *Newsweek*, 17 July 1995, pp. 8–14.
4. See Bruce Swanson, "Naval Forces", in *China Defense Policy*, edited by Gerald Segal (Hong Kong: MacMillan Press Ltd, 1984), p. 86.
5. See Joyce K. Kallgren, "China 1978: The New Long March", *Asian Survey*, January 1979, p. 13.
6. See Barry G. Gelber, "China's New Economic and Strategic Uncertainties and the Security Prospects", *Asian Survey*, July 1990, p. 665.
7. Paul H.B. Godwin, "Force and Diplomacy: Chinese Security Policy in the Post-Cold War Era", *China and the World: Chinese Foreign Relations in the Post-Cold War Era*, edited by Samuel S. Kim (Boulder, Colorado: Westview Press, Inc., 1994), p. 172.
8. Ibid.
9. Discussion of the May–June 1985 guidance by Generals Zhang Zhen and Li Desheng at a meeting with the editorial board of *Jiefang Jun Pao* (*Liberation Army Daily*), reported in *Ta Kung Pao* (Hong Kong), 16 February 1986, in FBIS-China, 12 February 1986, pp. W11–12. Quoted from Paul H.B. Godwin, "Soldiers and Statesmen: Chinese Defence and Foreign Policies in the 1990s", in *China and the World: New Directions in Chinese Foreign Relations*, edited by Samuel S. Kim (Boulder, Colorado: Westview Press, Inc., 1989), p. 188.

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10. Ibid., p. 188.
11. Jean V. Dubois, "New Directions in Chinese Strategy", *International Defense Review*, November 1989, p. 1484.
12. Ibid., p. 1484.
13. Amitav Acharya and Paul Evans, "China's Defence Expenditures: Trends and Implications", *Eastern Policy Papers* (Ontario, Canada: University of Toronto-York University, 1994), p. 17.
14. Swanson, op. cit., p. 91.
15. For a discussion on the changes in China's defence concern and doctrine and its impact on the PLAN force structure, see Dubois, op. cit., p. 1484.
16. See Bradley Hahn, "China: A Naval Transition", *Journal of Defense and Diplomacy*, November 1988, p. 6.
17. Country Briefing, "China: Chasing the 20th Century", in *Jane's Defense Forum*, 19 February 1994, p. 26. For a comprehensive discussion on China's defense budget, see Amitav Acharya and Paul Evans, op. cit., pp. 4–15.
18. This new generation of surface combatants are currently replacing the old Luda-class Destroyer and Jianghu-class frigates which were designed primarily for coastal defence. China has spent enormous efforts and resources to develop these new surface combatants for blue-water deployment. In these new ships, the reliance on big guns has been substituted by long-range precision-guided over the horizon anti-ship missiles. Fire and navigational control systems have also been upgraded and helicopters deployed on board ship to improve the ships' anti-submarine capabilities. Ibid., p. 26. See also You Ji, "A Test Case for China's Defence and Foreign Policies", *Contemporary Southeast Asia* 16, no. 4 (March 1995): p. 381.
19. Tony Preston, "Navies of the Asia-Pacific Region", in *Asia-Pacific Military Balance, 1994/95* (Kuala Lumpur: ADPR Consult (M) Sdn. Bhd., 1994/95), p. 73.
20. This is not actually new. As early as 1973, the late Zhou En-Lai proposed the building of aircraft carriers to recapture Hisha and Nansha Islands which were then occupied by South Vietnamese forces. See You Ji, op. cit., p. 378.
21. Last year, the issue of China's plan to acquire an aircraft carrier was again raised. In an article published in the July issue of *Shidian* (published by the semi-official China's News Service), the author made "China's first public exposition" on why China needs an aircraft carrier. Along with the strategic arguments based on the projection of strength, the article revealed deep resentment of the Southeast Asian countries contesting China's claims in the South China Sea. See Nayan Chanda, "Aiming High", *Far Eastern Economic Review*, 20 October 1994, pp. 14–15.
22. Robert Karniol, "China To Buy Russian Kilo Submarines", *Jane's Defence Weekly*, 19 November 1994, p. 1.
23. Barbara Starr, "Designed in China: A New SSK is Launched", *Jane's Defence Weekly*, 13 August 1994, p. 3.
24. Country Briefing, op. cit., p. 27.
25. You Ji, op. cit., pp. 384–85.
26. Prsun Singupta, "Force Modernization Continues for Asia-Pacific Force", in *Asia-Pacific Military Balance 1994/95* (Kuala Lumpur: ADPR Consult (M) Sdn. Bhd., 1994/95), p. 80.
27. See Chang Ya-Chun, "Beijing's Asia-Pacific Strategy in the 1990s", *Global Issues in Transition* (Makati: U.S. Information Agency, January 1994), p. 42.
28. Allen S. Whiting, "Chinese Foreign Policy Options", in *China and the World*, edited by Sammuel S. Kim (Boulder, Colorado: Westview Press, Inc., 1989), p. 310.

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29. See Frances Chu, et al., "Taiwan Confronts Chinese Threat", *Defense News*, 30 March–April 1992, pp. 1 and 20. See also "Asia Threatened by Expanding PLA", *Inside China Mainland*, August 1995, pp. 40–44.
30. Charles Su, "ROC Military Says Mainland Missile Shift Perils Taiwan", *Free China Journal*, 3 March 1995, p. 2.
31. Gary Klintworth, "Developments in Taiwan's Maritime Security", *Issues and Studies*, January 1994, pp. 66–67.
32. Ibid., p. 67.
33. Ibid.
34. Christine Su, "Navy Commissions Third Frigate", *Free China Journal*, 10 March 1995, p. 1.
35. Ibid.
36. Peter Chen, "Taiwan-made Fighters Go into Active Service", *Free China Journal*, 30 December 1994, p. 1.
37. Ibid.
38. See Gregory P. Corning, "US-Japan Security Cooperation in the 1990s", *Asian Survey*, March 1989, p. 272.
39. Chalmers Johnson, "Reflections on the Dilemma of Japanese Defense", *Asian Survey*, May 1986, p. 570.
40. Corning, op. cit., p. 274.
41. See Defence Agency, *Defense of Japan 1992* (Tokyo: The Japan Times Ltd., 1992), pp. 47–50.
42. See David Arase, "New Directions in Japanese Security", in *Post Cold War Security Issues in the Asia-Pacific Region*, edited by Colin McInnes and Mark G. Rolls (Essex, UK: Frank Cass and Co Ltd., 1994), p. 53.
43. See Andre K. Hanami, "The Emerging Military-Industrial Relationship in Japan and the U.S. Connection", *Asian Survey*, June 1993, p. 593.
44. Ibid., p. 593.
45. Ibid., p. 594.
46. Paul H. Nitze, et al., *Securing the Sea: The Soviet Naval Challenge and Western Alliance Options* (Colorado: Westview Press, 1979), p. 212.
47. Richard P. Cronin, *Japan, the United States, and Prospects for the Asia-Pacific Century* (Singapore and New York: Institute of Southeast Asian Studies and St. Martin's Press, 1992), p. 97.
48. Ibid., p. 97.
49. Patrick Cronin, "Japan's Future Security Role", *Strategic Review*, Summer 1992, pp. 19–21.
50. See Arase, op. cit., pp. 49–51.
51. G. Till, "Navies and Security Policy in the Pacific Rim", *Naval Forces*, no. 1 (1990), p. 50.
52. "Japan Weighs Missile Defence Options", *Jane's Defence Weekly*, August 1994, p. 21.
53. Ibid., p. 21.
54. See Office of International Security Affairs, *United States Security Strategy for the East Asia-Pacific Region* (Pentagon: Department of Defence, February 1995), pp. 12–15.

RENATO CRUZ DE CASTRO is Chairman at the International Studies Department, De La Salle University, Philippines.

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Book Reviews

***Pacific Cooperation: Building Economic and Security Regimes in the Asia-Pacific.* Edited by Andrew Mack and John Ravenhill.** St. Leonards, NSW: Allen and Unwin, 1994. 269 pp.

This is an edited collection of essays which derives from a conference held in Canberra, Australia, in July 1993, on economic and political security co-operation in the Asia–Pacific region. This issue has become a major concern amongst policy-makers and academics in the post-Cold War period, given the virtual absence of multilateral co-operation prior to the termination of Cold War tensions and hostilities at the end of the 1980s. Various divisions, governed by political, economic and cultural considerations, accompanied by various bilateral alliances engendered a degree of regional mistrust between 1945 and 1990. The one real success story, ASEAN, was always much more of a conflict resolution mechanism than a key to stimulating economic co-operation.

The growth of East Asian economic power is the central fact in an evolving regionalization of economic and political security regimes in the Asia–Pacific, a fact that this collection dwells on at some length. And the book deals (to some extent comparatively) with the lessons to be learnt from the institutional growth of regional integration at the end of the 1980s and in the early 1990s. Will such co-operation in the economic realm "spill over" into the area of politics? The different essays look closely at the international regime literature and its import for the development of multilateral co-operation.

Miles Kahler's chapter, "Institution Building in the Pacific" offers a solid account of institutional developments, examining neo-realist and

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cultural explanations, but there is nothing new in his arguments. Vinod Aggarwal draws on the well known "hegemonic stability" theory to compare regional efforts in the Asia–Pacific and North America. He asks, "Why are there no strong multilateral institutions in the Asia–Pacific?" And the answer is "because there is no single hegemon" (p. 41). But, clearly, this is only part of the story, and Aggarwal moves beyond single cause explanations to develop the beginnings of a theoretical framework for these developments.

Arguing a more sceptical viewpoint (at least where APEC is concerned), Richard Higgott notes that as a region the "Pacific is a contested concept" and "not a coherent region deserving the hyperbole associated with the oft heralded arrival of the Pacific century" (p. 68). There is no historical evidence of regional consciousness, Higgott asserts, ("no Pacific paradigm") amongst this group of disparate countries and he is sceptical of the commitment to economic and political co-operation.

In Chapter 5, David Rapkin draws on rational choice theory, and specifically "Prisoners' Dilemma" games, to analyse the idea that meaningful co-operation requires real political leadership. This is a complex chapter for readers not versed in such types of analysis but nevertheless a well-researched and thoughtfully written essay.

After this point, the book begins to deal more extensively with the security issues involved. Barry Buzan's chapter on the security order in the post-Cold War period relies heavily (somewhat too heavily) on security complex theory to discuss these problems. Notwithstanding his importance in post-Cold War security thinking, Buzan manages to quote himself nine times throughout his chapter. Again, he is sceptical about the prospects for the region, arguing that dissipated rivalries may re-emerge in the absence of European-style instruments of mediation.

In Chapter 7, Muthiah Alagappa deals with the theoretical aspects of regionalization and provides an overview of the literature. The argument that disadvantaged states in the international system can mitigate their position through collective action at the regional level is a strong one. Alagappa concludes that regionalism is likely to be very effective in preventing conflict at the international level but less likely for containing conflict at state level.

Perhaps the best essay is Joseph Camilleri's piece on the "Asia–Pacific in the Post-Hegemonic World" which manages to link actual developments at the micro level of regional security in the Asia–Pacific within a global framework of a dynamic world economy. In particular, Camilleri notes the strains in the "uneasy marriage between political authoritarianism and market economies" (p. 185). Can the East Asian economic "miracle" be sustained, given the disintegrative tendencies associated with rapid

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industrialization? Still, the answers to such questions are unclear. Trevor Findlay, in drawing on lessons from Europe, argues that such models cannot simply be transplanted onto foreign climes and that indigenous institutions need to be developed if such projects are to prove successful. Lastly, several authors (Kerr, Mack and Evans) comment on the "evolving security discourse" emerging in the Asia–Pacific.

Overall, this team of experts have done an admirable job in piecing together the complex theoretical and practical fibres of economic and political co-operation for the region in the 1990s. Edited collections are often a problem in that they tend to be incoherent and inconsistent in thematic terms. Typically, different chapters stray from the central theme and the result is a mish-mash of disparate essays. Mack and Ravenhill are to be congratulated, however, on providing a finely honed, edited collection. Additionally, Stuart Harris provides an excellent summary and conclusion which ties up the loose ends. This volume is an interesting and well thought out attempt to discuss the dynamics of economic and political co-operation in the Asia–Pacific and should be required reading for anyone trying to come to grips with this process.

KENNETH CHRISTIE
Department of Politics
University of Natal, South Africa

Buying Power: *The Political Economy Of Japan's Foreign Aid*. By David Arase. Boulder: Lynne Rienner Publishers, 1995. 307 pp.

David Arase has written a superb and informative book on the Japanese ODA (Official Development Assistance) programme. This is an important topic because Tokyo is the world's largest ODA contributor and, unlike other major powers, has elevated ODA to a central tenet of its foreign policy. As a result of its defeat in World War II and its subsequent abstention from becoming a military power, alms instead of arms have become a key instrument of Japan's foreign policy.

Arase argues that the *main* thrust of ODA is not simply an outcome of a bureaucratic game of conflict and compromise between the powerful ministries and agencies. It was neither a strategic aid to U.S.-supported front-line states against the former USSR and its proxies during the Cold War era nor a response to international pressure to recycle its trade surplus. His central thesis is that ODA serves to promote Tokyo's commercial

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interests and to foster an international economic division of labour in which Japan would be at its apex, with its wealth translated into status and power in the global political economy.

Arase makes a distinction between rhetoric and behaviour in Japanese ODA. Tokyo's apparent intention (*tatemae*) during the immediate post-war years was reparations, and in subsequent years the economic development of host countries, humanitarian aid, respect for human rights, promotion of democracy, recycling of trade surplus, and strategic aid to allies of the United States became declaratory policies. The real intention (*honne*), however, was to further strengthen the country's economic pre-eminence, especially in Asia. ODA-funded infrastructure projects such as roads, hydroelectricity, and factories benefit Japanese contractors and also facilitate the extraction of natural resources for Japan. Many Japanese factories have relocated to less-developed countries to take advantage of their cheaper costs of production and a less stringent legal regime on environmental pollution. To assuage criticism from the United States and Asian neighbours that Japanese ODA is tied to its economic interest, Tokyo has attempted to offer more and better non-commercial aid, but the essence of Japanese ODA remains securing benefits for home industries and integrating the East and Southeast Asian region into an economic hierarchy headed by Japan.

This is also a nuts and bolts book on ODA. It is packed with information, detail, and case studies especially from Southeast Asia. The first six chapters, chronologically organized from 1945 to 1992, trace the foundation and evolution of ODA. Arase emphasizes the concept of *keizai kyoryoku* (economic co-operation), a euphemistic term for Japan's economic benefit. There are interesting vignettes, such as lectures sponsored by JETRO (Japan External Trade Organization) who taught the technique of bribing native officials to obtain ODA loan procurement contracts and the Marcos bribery scandal. Despite demands from opposition parties, the media and NGOs (non-governmental organizations) for a thorough investigation of the Marcos scandal, the ruling party, big business and the ministries colluded and stonewalled demands for greater transparency and accountability.

Chapter 7 traces the selection of ODA projects and its cycle (application, project design, approval, implementation, and operation and evaluation), and reveals that there is often a gap between the real needs of the recipient and the intention to provide opportunities for Japanese business. Problems include bid rigging to favour Japanese companies, and ODA projects are often tied to them even where there are formally open and competitive bidding procedures.

Chapter 8 examines the system of ODA administration which comprises multiple actors: ministries, agencies, client associations, economic

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groupings, pro-growth media, academia, and the private sector. The Ministry of Foreign Affairs is only one actor in the process; strong representation of economic ministries, agencies and interest groups in the ODA process, and close public–private sector relations ensure the continuity of ODA economism. How is paralysis avoided in ODA policy-making and implementation? Personnel from different ministries, agencies, economic groupings, and intermediary aid organizations are cross-posted to ensure that the interests and views of different organizations are well represented. Complex bureaucratic, public–private collaboration and need for consensus and accommodation result in incrementalism in ODA. Thus, a radical departure from the economic emphasis in ODA is difficult because there is no consensus to do so among the domestic actors.

Chapter 9 and the concluding chapter discuss the limits of ODA as a foreign policy. This approach cannot address the following problems: criticisms that Japan engages only in "cheque book diplomacy" (especially in the wake of the Gulf War), the need for a new regional security framework (especially when U.S. forces have been drastically reduced in Southeast Asia), and suspected nuclear proliferation by North Korea. Although Arase acknowledges certain shortcomings in Tokyo's ODA diplomacy, he tends to exaggerate its successes. He writes: "By any realist standard . . . ODA diplomacy has to be viewed as an imaginative and brilliant success . . . . In the 1980s Japan's ODA contributions won it greater recognition in international financial institutions and the UN, as well as at Western economic summit meetings. In Asian regional structures such as ASEAN and Asian (*sic*) Pacific Economic Cooperation (APEC), Japan became an acknowledged leader. By the 1990s Japan began a credible campaign for a seat on the UN Security Council . . . " (p. 209). However, it is not so apparent that East and Southeast Asian countries have readily accepted Japan as their leader especially when it is unwilling to come to grips honestly with its wartime atrocities. Take, for example, the Spratly Islands in the South China Sea which is claimed by six states. Arase acknowledges that this issue is a potential source of instability in Southeast Asia and also poses a potential problem for Tokyo, especially if the vital sea lanes in that area are disrupted (p. 230). Despite the fact that China and some of the ASEAN countries are among the largest recipients of ODA, Japan has not been accepted as a participant (let alone leader) in quasi-official regional workshops on the Spratlys issue. ODA may, in certain circumstances, succeed in buying power, but true friendship, respect, and matters of the heart cannot be bought.

This book asserts that ODA is primarily an instrument of Japanese economic interests and gives examples where it had not really served the interests of the recipients. However, if it is often against the recipient's

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self-interest, why are they so keen to seek Japanese ODA? Is it sought because it benefits the narrow interests of the local élites or because, in some cases, it indeed benefits not only the giver but also the receiver? Despite these reservations, this book is highly recommended for those who are interested in foreign aid and Japanese foreign policy in general.

LAM PENG ER
Department of Political Science
National University of Singapore

***"A Strong Showing": Britain's Struggle for Power and Influence in South-East Asia 1942–1950.* By Rolf Tanner.** Stuttgart: Franz Steiner Verlag, 1994. 299 pp.

Rolf Tanner's book is the latest volume (the sixtieth) in a series devoted to Colonial and Overseas History that began more than twenty years ago. This manuscript, which was originally written as a doctoral dissertation under the supervision of Professor Rudolf von Albertini, is a bit like the curate's egg — good in parts. It certainly has some virtues — not the least of them being the broad canvas on which the main regional events are drawn — but its weaknesses (structural, grammatical, technical/editorial) are sufficiently grave or unnecessary as to undermine the good impression created by the former.

In Tanner's words, this piece of research was conducted in the hope of providing "a comprehensive assessment and synthesis of Britain's role in South-East Asia between 1942 and 1950" (p. 10). Although this is a grand and welcome scheme in conception, it is less comprehensive and ambitious in practice, particularly since it largely eschews any temptation to trace British military activities in wartime in favour of lavishing attention upon the Churchill administration's often halting progress towards regional planning for the post-war period. If the author had really intended to avoid the military dimension from the fall of Singapore in February 1942 to the surrender of the Japanese in August 1945, perhaps he would have been better served by restricting the time span of his study exclusively to the post-war period. As it stands, however, the early history is deficient and can hardly do justice to the overriding theme of his work. Moreover, his choice of the term, "A Strong Showing", for the title of his work looks distinctly odd since it represents more a case of wishful thinking by Sir Esler Dening than an appropriate descriptive motif for the performance of the British in Southeast Asia during the 1942–50 period.

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As the author admits in his conclusion: "The come-back of 1945 was far from the 'strong showing' Dening had promoted" (p. 265), a fact which makes it even more mysterious that Tanner should have adopted the term for his book in the first place!

In the first of three main sections of the book, the author discusses the official plans that were developed by the United Kingdom for the reoccupation and rehabilitation of its colonial territories in Southeast Asia, as well as the attitude it expressed towards the colonial possessions belonging to the French and the Dutch in the region. He also considers the type of relationship that the authorities in London felt that they should try to cultivate with the independent kingdom of Thailand. While soundly rooted in both primary and secondary sources, this section does not spring any major surprises or uncover anything radically new. Nevertheless, it represents a decent synthesis of the evidence accumulated on these topics by scholars since the early 1970s when the Public Record Office began releasing documents for the wartime period that were no longer covered by the restrictions of the Thirty Year Rule.

In the second section entitled "The unexpected challenge", Tanner looks at the host of practical problems the United Kingdom faced in the immediate post-war period as its new Labour government came to terms with the capitulation of the Japanese after the dropping of the atomic bombs on Hiroshima and Nagasaki. This section goes on to describe the emergence of nationalism as a potent force in the region and the efforts that were made to deal with it in the years from 1945–47. As a diplomatic-political overview, this part of the book is reasonably smooth and assured, but the military situation is handled less satisfactorily, with the Royal Navy hardly being mentioned at all.

In his third section which reviews the Cold War scenario in Southeast Asia, the author trawls through the dramatic events of the 1948–50 period to paint a sober picture of the British struggling to withstand communist pressure in the Far East and seeking to find the most appropriate policy to do so. Discussion of the geopolitical ramifications of the Korean War and its aftermath is reserved for a smaller and much less satisfactory chapter entitled "Outlook: An uneven descent". Here the author sweeps over the 1950–57 period without his customary attention to detail. In a final hurried paragraph the author applies the broadest of brush strokes to take the story from the era of *Konfrontasi* to the withdrawal of the last British soldier from Singapore in 1976. In telescoping thirteen years of Southeast Asian history into ten lines of text, some developments are bound to be hideously compressed while others are squeezed out altogether — the ousting of Singapore from Malaysia in August 1965 being a case in point!

Although his previous chapter left a good deal to be desired, Tanner's

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set of conclusions are far more reliable and summarize the main points of his thesis very fairly. His final sentence encapsulates the tone of his study: "Although she (the United Kingdom) was no longer the commanding force in South-East Asia, nor even the dominating one, she continued to be (*sic*) play an important role in the region." (p. 265).

Most authors have suffered at the hands of pedantic reviewers at some time or another in their careers. Tanner should brace himself for a tidal wave of criticism if "A Strong Showing" falls into their hands, for as it stands his book contains a substantial number of typographical, grammatical, syntactic, and idiomatic mistakes to enumerate and gloat over. Most of these errors come from either translation difficulties and/or inadequate copy-editing. Some lines of text are clearly deficient at present — a function no doubt of the fact that some material has actually been missed out altogether by those setting the pages of the book, an unfortunate omission which managed to elude the gaze of those examining the manuscript before it was finally published. Footnote 24 is a case in point; its number is printed without any reference to accompany it! Of all the omissions, however, the strangest and most incomprehensible is deliberate, and concerns the decision not to include an index with this work. This reviewer feels that books ought to be made as reader-friendly as possible — an index helps immeasurably to fulfil this aim for scholars as well as the general reader.

More serious than these gaffes, however, are the structural defects of Tanner's work. A chronological time frame is used to divide his study. While this has some value in revealing the crowded simultaneity of events and the extent of the conflicting demands that were made upon the British in those hectic years, the narrative has to switch from one scene to another very swiftly. In the process, a certain confusion can easily arise and a somewhat repetitious feel is given to the material. A more rigorous thematic, or country-based, division might have dealt with some of these problems. Another area for legitimate concern lies in the overall scope of the work. Perhaps constraints of time or wordage may have been determining factors when the author was pursuing his doctoral work, otherwise it is difficult to understand why Tanner chose to bring his research to an end in 1950 when he could have profitably continued until much later in the decade. Indeed, a study of the post-war period from, say, 1945 to 1957 might have provided far more valuable insights about British policy in Southeast Asia than the existing work does.

MALCOLM H. MURFETT
Department of History
National University of Singapore

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***Fostering an Indigenous Defence Industry: Defence Industry Policy After the "Price Review".* Edited by Graeme Cheeseman.** Canberra: Australian Defence Studies Centre, Australian Defence Force Academy, 1994. 109 pp.

The contributors to this book include most of the notable Australian academics with interests in defence industry (Stewart Woodman, Gary Brown, Graeme Cheeseman, Stefan Markowski and Peter Hall), as well as representative contributors from other areas, such as G. Punch, Parliamentary Secretary to the Australian Minister for Defence (March 1993); John White, Managing Director, Transfield Shipbuilding, and Brian Oxley and Robert Wylie from the Australian Department of Defence.

The chapters were presented by the authors to a conference on "Australia's Defence Industry: Needs and Opportunities".

As the title of the book suggests, the primary focus of the seven chapters is directed towards the policy outcomes of the *Defence Policy and Industry Report* (or *Price Report*). Published in November 1992, the Report was the most comprehensive Australian defence industry policy statement since World War II, and is in itself, at 43 pages, worthwhile preliminary reading.

The introduction by Graeme Cheeseman describes for readers the more recent background to Australian defence industry policies, and provides what is essentially an executive summary of the chapters which follow.

The book is divided into two parts. Part 1 is titled "Australia's Emerging Defence Industry and Industry Policies". In the first chapter of this section, Gary Punch reviews the contribution of the *Defence Policy and Industry Report* to Australian defence and industry over the twelve-month period to November 1993. He also emphasizes the need to improve Australian defence purchasing procedures and two important developments. The first is the establishment of a database on tendering costs which can then be used for the setting up of benchmarks, performance criteria and best procurement delivery practices, as well as sequencing those things necessary at each step in the procurement process to keep costs and time to a minimum. One area is that of the issue of long-term relationships. After emphasizing the need for improved communication between defence and industry and also the importance of research and development linkages, Punch then concludes by addressing defence export enhancement and the September 1993 Industry Commission Inquiry into Defence Procurement.

John White's chapter on "Industry Developments Since the 1992 Price Report" paints a picture of the Australian defence industry and procurement at the time of the *Price Report*, and discusses some of the difficulties

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encountered by industry in doing business with the Department of Defence. He cites, as one example, the intermingling of product and performance specifications and then investigates defence industry objectives and the role of defence procurement from an industry perspective, suggesting the benefits, both to defence and industry, of pursuing certain suggested policies. He moves on to the *Price Report* and beyond, first, by mentioning the industry emphasis on research and development, intellectual property, potential for exports and commercialization prospects. Secondly, he suggests that major capital equipment projects require a different management approach from others, by the inclusion of logistic support in acquisition contracts.

The next chapter by Stewart Woodman is entitled "Exploding Myths: Defence Policy for Industry Beyond the Price Review". It perceives a reformation in defence industry during the last decade, with a strong push to increase local content both for self-reliance and for foreign exchange purposes, within the new policy focus on regional security co-operation following the end of the Cold War. Woodman also considers that defining strategic priorities is still a difficulty in that short-term commercial gains need to be within a defence industry fostering those national capabilities considered most important to Australia's own defence needs.

The final chapter in Part 1 is by Peter Hall and Stefan Markowski on "Defence Industry and Local Content Requirements". They observe that the result of Australian government commitments to strengthen defence self-reliance during the 1980s and 1990s has been a sharp increase in local investment spending on equipment and facilities, which has had a considerable impact on Australian defence industry and its capability to support the Australian Defence Force — increasing from less than 30 per cent of the capital equipment investment programme going to Australian industry, to about 65 per cent in 1992. They suggest that such policies have also led to a significant increase in the quality of local content and in Australian industry's capacity for project management, quality control and design and development. The problem they raise, however, is that the Department of Defence should identify and promote the long-run domestic production capability it believes to be essential for its purposes without paying excessive prices to local producers who, as a result of local content policy, are vested with some degree of monopoly power. This may be countered, they suggest, by the Department taking steps to ensure the continued threat of competition through *contestability*, by using its purchasing power to offset the monopoly power of sellers, and by acting as a "leading-edge buyer".

Part 2 of the book is entitled "Exporting Australian Defence Products: Prospects and Problems", and comprises two parts. The first of these by

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Robert Whylie, "Towards a Defence Exports Strategy", focuses on the defence public sector. In this chapter, he reflects on defence exports over the past two decades, and then discusses the defence export strategy — material co-operation, export objectives — in relation to defence industry policy, ASEAN, traditional partners and other markets, and the support by the Department of Defence for defence exports. He comments also on the need for export controls in balancing a range of policy interests, and the mechanisms for co-ordination and consultation. Interestingly, he advises the development of export performance measures by the Department of Defence on the evolving defence export strategy and the resources allocated. In conclusion, Robert Whylie mentions that Australia's defence export strategies have yet to respond to developments in the marketplace and the interaction of the various stakeholders.

The final chapter of Part 2 is by Gary Brown on "Selling to the Region: Good Money After Bad?" In this chapter, Brown focuses on the prospects for Australian defence exports to the Southeast Asian region. He commences by providing some background to Australia's defence industry, the nature of the international arms market and asks the significant question of how much Australia can realistically expect to sell, particularly when Australia's starting point is so low in a very competitive and shrinking global defence market. He addresses ASEAN's market size and potential for growth, the imperfect nature of the market, the potential instability in some target states, the risk to the Australian domestic market, and Australia's prospects in the ASEAN market. In conclusion, Brown draws together an assessment of Australia's prospects for selling defence-related equipment to the ASEAN region.

Also included at the end of the book are some erudite comments by Brian Oxley on the fundamental strategic issues facing defence planners: concepts for defence exports, collaborative industry ventures and political sensitivities, and the wider opportunities offered by the development of defence industry collaborative arrangements. Following this are informative annexes on an analysis of Australian defence export performance, patterns of Australian defence spending, a postscript on the 1994 Industry Commission Report on Defence Procurement, and a bibliography. For those wishing to keep up-to-date about Australia's defence industry or those simply needing to familiarize themselves with its current status, this edited book is well worth a read.

DOUG THOMSON
Australian Defence Force Academy,
Canberra, Australia

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Sri Lanka: Militarisation and Modernisation. **By J. Basil Fernando.** Hong Kong: Asia Monitor Research Center, 1991. 101 pp.

Known to the Arab travellers as Serendib, the island of happy fortune, Sri Lanka today is neither happy nor fortunate. In fact, in the era of decolonization, Sri Lanka was known as the "model colony". The transition to independence was very smooth; there was no prolonged and bitter anti-colonial struggle as in India, Indonesia or Vietnam. On the eve of independence, it was a relatively peaceful country compared to the orgy and violence which accompanied the birth of its northern neighbours, India and Pakistan. D.S. Senanayake, the first Prime Minister, was not only the leader of the majority community, but he had also the tacit support of other minority groups. Most commentators felt that the newly independent state would be politically stable and the major ethnic groups would be integrated into one nation.

Four decades and seven years later, the political system has undergone a fundamental transformation. The bridges uniting the Sinhalese and the Tamils have been burnt. The island republic has been engulfed in violent ethnic conflict for the past thirteen years and, as a result, this once peaceful country has become one of the notorious "killing fields" of the world.

In this slim volume, Basil Fernando has attempted to provide a succinct analysis of the fall-out of ethnic conflict — the distortions in the political system, restrictions on democratic rights, and growing militarization. The author has succeeded in knitting together these interrelated themes into a refreshing, lucidly written book.

A tragic fall-out of the ethnic conflict had been the erosion of democratic values and the dismantling of democratic structures. It has made Sri Lanka, the most vibrant democracy in Asia during the 1950s and 1960s, an authoritarian state. The essentials of dynamic democracy from an Indian point of view — a vigilant opposition, free press, independence of the judiciary, free and fair polls, strong trade unions and active students' movements — all have become relics of the past. The author describes the situation as one in which democracy "has been compromised, destabilised and displaced". Illustrative of this was the extension of Parliament by Mrs Bandaranaike through legislative enactment; the recourse to a referendum by President Jayawardene instead of a system; and the fact that every militant group trying to subvert the polity is armed to the teeth.

The author rightly draws attention to the burgeoning of the armed forces and its increasing role in the political system. In the 1950s and 1960s, the Sri Lankan Army was a ceremonial one, providing a guard of honour to visiting dignitaries and holding march-pasts on independence days. In the early years of independence, the defence budget was modest;

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in 1978, it amounted to only 560 million Sri Lankan rupees; in 1983, it went up to 1,800 million rupees. According to the *Military Balance, 1993–94*, the defence budget has reached a staggering figure of 23.90 billion rupees. Sri Lanka spent only 3.1 per cent of its national budget on defence in 1978; today it spends more than 10.0 per cent. According to the *Military Balance*, the army comprises 90,000 personnel; the navy 10,100; and the air force 10,100. While the army is becoming increasingly professionalized, it must be stated that there have been a large number of desertions also. Human rights organizations have accused the armed forces of serious human rights violations. It must be pointed out at the same time that the records of the Liberation Tigers of Tamil Eelam (LTTE) and the Janata Vimukti Peramuna (JVP) are equally bad. They have inflicted heinous crimes against innocent civilians.

Basil Fernando quotes the Report of the Presidential Commission on Youth, published in 1990. It is a telling commentary on the tragic state of affairs in Sri Lanka. To quote: "Sri Lanka's social fabric has been torn asunder in recent years by a process of militarisation on an unprecedented scale. Numerous groups, some of them articulating grievances felt by youth, have jettisoned commitment to democratic values and institutions, and espoused a way of life dominated by recourse to violence as an approach to the solution of urgent social problems. As a means of combating this growing violence, the state has, in turn, strengthened the armed forces to an extent unparalleled in the country's post-independence history. The situation is distressingly aggravated by armed groups operating entirely outside the framework of the law and responsible to no one but themselves".

The author unfortunately glosses over two major failures of the left parties and allied trade unions in Sri Lanka. The first relates to the plantation workers of Indian origin, who constitute the backbone of the island's working classes and whose sweat and toil sustain a vital sector of the Sri Lankan economy even today. In the elections held under the Soulbury Constitution in 1947, one year before independence, the Indian workers elected six representatives of the Ceylon Indian Congress (CIC); where no CIC candidates were available, they voted for Marxist parties and tilted the balance in their favour in about nine seats. The left-ward swing of the plantation workers made the government and the leadership of the United National Party (UNP) determined to debar the great majority of Indian Tamils from Sri Lankan citizenship. The Ceylon Citizenship Act, 1948, and the India-Pakistani Residents Act, 1948, not only disfranchized the Indian Tamils but also rendered them stateless. As stateless people, they naturally had no voting rights. The left parties began to ignore them. The plantation labour became docile, cheap labour to be exploited to the

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hilt by the management; to Sri Lankan Tamils, they were a group easily available for communal propaganda, and to the fanatics among the Sinhalese, the easiest and defenceless victims in times of communal conflict. The vacuum created by the left trade unions was soon filled by the Ceylon Workers Congress under the leadership of Thondaman.

The second major failure of the left parties was their inability to evolve a consistent and just stand on the ethnic question. In the 1970 general election, the United Left Front scored a decisive victory. The government, led by Sirimavo Bandaranaike, confused the mandate with consensus and introduced a new Constitution which paid scant regard to the sensitivities of Tamil minority groups. Buddhism was given the foremost place and Sinhalese was made the official language. The provisions of the 1972 Constitution and subsequent measures, such as standardization, convinced the Sri Lankan Tamils that democracy in Sri Lanka meant the rule of the brute Sinhalese majority. It was this perception which was at the root of the alienation of Sri Lankan Tamils. The left parties, which swore by class solidarity, did not pursue any policy which could build bridges between the Sinhalese and the Tamils. On the other hand, they preferred to support the pro-Sinhalese policies of Mrs Bandaranaike.

These criticisms, however, do not detract from the overall value of the book.

V. Suryanarayan
Centre for South and Southeast Asian Studies
University of Madras, India

***Essays on Strategy VIII*. Edited by Thomas C. Gill.** Washington D.C.: National Defense University Press, 1991. 159 pp.

Essays on Strategy VIII is a collection of five selected works by students of the Senior Military Service College of the United States. They are presented as indicative of the innovative, long-range thinking that became more important in the final decade of the twentieth century.

Unfortunately, the international security environment in recent times has changed so quickly that, even before an innovative work can be published, the environmental shift has made much of the thinking nearly irrelevant. This is true in the case of three of the five essays presented in this book.

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The first essay on "Intelligence and Economic Security" by Jeffrey W. Wright asserts that intelligence capabilities should be used to further U.S. interests by aiding American companies in the world-wide competition for markets. Wright believes that the United States can contribute more to its economic well-being by shifting some resources from military hardware to aggressive diplomatic, scientific, and economic intelligence programmes and applying the resultant information to helping all U.S. commercial and business activities improve their competitiveness throughout the world. The 1995 version of the President's *National Security Strategy of Engagement and Enlargement* affirms that bolstering U.S. economic security is just as important as promoting democracy worldwide in enhancing U.S. security. The sad fact, however, is that the civil sector of U.S. society is far ahead of the U.S. government in leveraging the information revolution that current high technology communications have made possible. Although the U.S. military is applying much effort in exploring the emerging capabilities, it is more concerned with wartime applications to improve the effectiveness of fighting forces. Even if the government stepped in to help private industry, it may find its efforts to be incorrectly focused, ill-timed, and unwanted. The larger problem for U.S. industries is simply gaining access to certain markets or multinational firms with large U.S. stakes. Competitiveness will certainly follow without clandestine government help.

The second essay, "Open Skies: Deja Vu with a New Ending?", by Adam B. Siegel and Thomas J. Williams, does an excellent job of tracing the chronology of the open skies issue with the Soviets and discussing the relative gains and losses for both sides should such a treaty be enacted. Unfortunately, the breakup of the Soviet Union since 1991 has made detailed discussion of the proposed treaty mostly irrelevant. An important observation the essay makes is still valid, however. "The weakest US intelligence has been political (intentions as opposed to capabilities), which will not be affected by Open Skies".

The third essay, "US-Panama Relations: Developing a Post-Noriega Strategy", by Douglas J. Naquin, was written in 1990 just after Operation Just Cause. Although dated, it gives a good background on historical U.S.–Panamanian relations. Moreover, its argument is still valid. The United States should not expect to continue its old patronizing approach towards Panama but must begin to deal out of mutual respect. Continued U.S. presence in this central American country is contingent upon proving that it is in Panama's best interest as well as that of the United States.

"Closing US Facilities in the Philippines", by Bruce H. Senft was clearly written before the eruption of Mount Pinatubo, and the arguments regarding the effects of a U.S. pullout on the Philippine economy have

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been overtaken by events. It does, however, do a good job of discussing enduring U.S. interests in the Pacific Rim and surveys almost all the available alternatives to U.S. forward presence in the region.

The final, and most interesting, essay is "Concepts of Man and Public Policy: The United States, China, and France", by Jan De Wilde. This is a powerful essay that transcends current international events and explores the dynamics of global political interaction between nations of disparate cultural beliefs. By using the three distinctly different cultures of France, China, and the United States, De Wilde sensitizes the reader to the many pitfalls awaiting aspiring diplomats. Anyone seeking to understand what motivates individual actors on the world stage, however, can benefit from the succinct analysis presented on these three cultures. The underlying message is that the United States (or any state) should seek to understand the other side from their point of view. Too often, especially in crisis situations, the United States has failed to heed this advice and erred in its policy. Such an in-depth analysis of one's adversary is hard work but absolutely necessary in formulating viable national security policy.

Although this book contains a couple of articles with interesting insights, much more current information on U.S. strategic interests is available elsewhere. Collections similar to this are published by many influential organizations. An astute reader should consult a wide range of sources regularly for the latest ideas on current regional security issues. There is nothing wrong with this volume per se, just that it is showing its age.

MILES A. BALDWIN
Department of Joint Force Employment
Air War College
Air University, USA

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Domestic Inhibitions to a Leadership Role for Japan in Pacific Asia

PETER W. PRESTON

In the wake of the end of the Cold War the attention of commentators has turned to the dynamics of the global system. In this context, the rise of a Pacific Asian sphere within an increasingly tripolar world is of great interest. The core economy within this nascent regional grouping is Japan. It has been suggested that Japan could be about to begin moves towards an overt leadership role within Pacific Asia. A series of internal reforms would be necessary before such a role could be adopted. In this context, the recent fluidity of the Japanese political system is of considerable interest as it raises the possibility of significant structural changes within Japan and, thereafter, in the linkages of the Japanese system to wider regional and global systems. However, a review of a series of areas of possible reconstruction in the polity, the economy, the society, the culture and the linkages to Pacific Asia clearly points to a rational expectation of continued stability. Notwithstanding the recent unusual political turbulence, Japan is not in the process of rapid change and, over the next few years, is likely to be concerned, as it has been since the Meiji restoration, with safely managing its now deepening relationships with Pacific Asia.

Introduction

With the end of the Cold War and the dissolution of the Second World of European "state socialism" in the period 1989–91, the attention of policy analysts and commentators has turned to the condition and dynamics of the global system. A movement towards a tripolar global political-economic, institutional and cultural system has been plausibly identified. The global

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system can now be analysed in terms of the three major spheres of the Americas, the European Union, and Pacific Asia. In this context, the possible future behaviour of the Japanese core economy in the burgeoning Pacific Asian region is of increasing interest. One theme which runs through discussions of Japan's future is the matter of leadership both within Pacific Asia and in the wider global system. Commentators ask whether Japan wishes to exercise leadership and, if so, whether Japan is able to exercise leadership. All agree that Japan's economic power suggests that it should exercise a leadership role and note that this would require extensive reforms within Japan. The following issues are often mentioned: 1) reforms to Japanese politics;[1] 2) reforms to the Japanese economy;[2] 3) reforms to Japanese society;[3] 4) reforms to Japanese culture;[4] and 5) a reworking of Japan's relationships with Pacific Asia, in particular through reforms to Japanese ODA (Oversea Development Assistance).[5] It is clearly a formidable schedule of possible areas of domestic reform.

It is possible to review likely routes into the future for Japan based on the classical tradition of social theorizing with its central concern for the elucidation of the dynamics of complex change.[6] In this context, the recent fluidity within Japanese politics is of interest and it might offer a clue to the presence of broader and deeper patterns of change. However, whilst it may be the case that Japanese party politics are more open to change at the present time than in previous years, any consideration of the five noted areas of concern must lead to the conclusion that significant political-economic, social and cultural change is most unlikely. It would seem to be the case that for the foreseeable future the Japanese will not offer Pacific Asia any overt leadership.

Reforms to Japanese Politics

Diagnosing the Problems

A general diagnosis of Japanese politics is given by Roger Buckley,[7] who notes that there are generally four problems: 1) political and business corruption; 2) a pork-barrel style of local politics; 3) a secretive and powerful bureaucracy; and 4) a general inability of the political system to effectively articulate and deal with the spread of domestic and international policy problems. We shall look at these four problems in turn.

The problem of corruption is widespread within Japanese politics and takes the form of patterns of collusion between business groups and politicians in respect of public plans, permits, contracts and the like. In exchange for their favours, politicians receive large cash contributions to their political expenses which, in turn, allow them to shower their constituents with personal gifts (for a family wedding or funeral, for example)

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and thus enhance their prospects of re-election. Overall, the present pattern of Japanese politics requires large amounts of cash to keep it running, and this cash flows in from the routinized corruption linking politics and business.[8]

The role of the parliamentary representative centres on pork-barrel politics. A successful local politician will act as a line of communication between constituents and the decision-makers in Tokyo. A politician is expected to show his value to the local area by securing government resources for local development projects, such as roads, bridges, public buildings and the like. As with electioneering, the routine life of the parliamentarian revolves around money — the business of securing it and then spending it.

It is generally taken to be the case that power within the Japanese political system resides primarily with the bureaucrats of the state machinery. These are the people whom constituents must access for permission, licences, grants, and so on. The parliamentary politician must have an appropriate network of contacts. It is within the confines of the bureaucracy that politicians, businessmen and bureaucrats come together, and it is from this location that decisions emerge.[9] It is not a system that is open to public scrutiny.

Karel van Wolferen[10] argues that the political system centred on the bureaucracy is "results focused", by which he means that it attends not to matters of principle and policy but to the pragmatic resolution of immediate problems. Within a dominating overall commitment to economic expansion, problems are tackled on an ad hoc basis. This means both that the system is very successful within its own terms and that it is unable to formulate responses to problems that fall outside its routine frame of expectations (hence the growing criticisms of the relatively poor lifestyles of the Japanese people and Japan's trade surplus with the rest of the world). In stronger terms, van Wolferen argues that, strictly speaking, the system is so flexible and pragmatic that it amounts to an absence of a formal state. Instead, there are shifting patterns of alliances between the various important players in the bureaucracy, business and politics and, in this, it resembles the system established at the time of the Meiji restoration.[11] It is a system running mostly outside the control of its beneficiaries/victims.

Discovering Uncertainty

In respect of the broad issue of the nature of political life, there seems to be widespread agreement on two general points and very little agreement on a third practical point. The first two points are the necessity for

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political reform in Japan, and the remote possibility of such reform. On the third point — the nature of the 1993–94 upheavals in Japanese party politics — there is little agreement as to the type of changes or whether they will, in the end, amount to anything. The position of most commentators seems to be that the drive is on to secure political reform in the guise of a shift to a two-party system in place of the old Liberal Democratic Party (LDP) "dominant party" system. However, it is just as plausible to characterize present manoeuvring as merely an open faction fight in place of the earlier more discreet faction fighting. It is certainly the case that the bureaucracy and industry continue to function, apparently quite happily, in the absence of direction from the realm of party politics.

Looking to Structures

We can try to get behind the debate by looking at the various structural analyses of the Japanese political system that are usually invoked. There seem to be three main lines of analysis.

Firstly, the optimistic modernization theory approach, which takes Japan to have successfully shifted to the modern world with the Meiji restoration, and which takes the period of military dominance and war to be essentially a catastrophic interlude which came to an end in 1945 when the normal development path was resumed. In this case, Japan is a liberal democracy and any requirement for reform is minor.[12]

Secondly, there is the rather more sceptical version of this approach which sees much less evidence of an early shift towards liberal democracy and notes much greater continuity of the post-war period with the pre-war era. In this case, Japan appears to be politically semi-developed. Liberal democracy is mostly a superficial cover for a more nationalistic, expansionist neo-mercantile country. In this case, the requirements for reform are quite extensive and, moreover, are unlikely to be forthcoming without considerable outside pressure.[13]

And finally, there is a line of political-economic analysis which treats the Japanese case in its own terms, in line with the concerns for analysing complex change of the core tradition of social theorizing, in which case both the optimistic liberal democrats and the sceptics are rather off target. The Japanese system should instead be read as a state-directed developmentalist political project fashioned in response to global system circumstances. There are two sub-varieties: the optimistic,[14] which sees a harmonious communitarian system having little need for extensive reforms; and the pessimistic,[15] which sees a domineering élite and a powerless obedient mass, and concludes that whilst the need for reform is strong, little will be done.

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In recent years, Japanese commentators have spoken of the need for reform. The critical journalism of Katsuichi Honda[16] is representative of public critical debate, and as John Lie[17] remarks, the work of Honda has been widely popular over the years. Yet, the work of politicians is arguably more interesting at the present time of great party political flux.[18] To that extent, van Wolferen has argued that political reform is a necessary condition of any broader change. One politician who has been pressing for reform, and who was instrumental in the 1993 removal from power of the LDP is Ichiro Ozawa.[19]

Ozawa's Reform Proposal: Making a "Normal Nation"

In essence, Ozawa is looking to an economically liberal Japan, with a small and decentralized state serving autonomous individuals. The key is political reform which will enable transparent decision-making to succeed. After these reforms, Japan should aim to become a "normal nation", able to act autonomously within the global community. Thereafter, a reform programme for the Japanese people can be inaugurated through a series of liberal market reforms which will enhance the autonomy and prosperity of the people of Japan.

Ozawa takes the view that political reform is urgent.[20] A diffused system of power-holding militates against leadership and encourages (or permits) irresponsibility. Japan needs a more concentrated form of political power. The model of past leaders shows what can be achieved. At the present time, the government acts like a corporate lawyer, which is fine, argues Ozawa, in periods of calm progress, but when a problem has to be addressed the government is paralysed. Ozawa urges that both the Diet (Parliament) and the Prime Minister's (PM's) office need to be reformed. The PM's office should be reformed along the lines of the British Cabinet Office where this is the centre of government power. At the same time, the Diet system should be reformed so that there is a powerful Cabinet, again on the British model. A series of other reforms are taken by Ozawa to be complementary to the reform of parliament: the reorganization of the electoral system and electoral districts; the reorganization of local level government in order to give it significant power; and the withdrawal of central bureaucratic involvement with small-scale matters left to the new municipalities so that the best bureaucratic minds can be concentrated on core national issues.

Ozawa sees Japan becoming a "normal nation".[21] He argues that a normal nation joins in the international community and co-operates freely with others. At the present time, the Japanese state and successive governments have been unable to articulate such a position. Instead, the

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state and successive governments have focused narrowly on economic growth. Ozawa states that Japan must use its wealth to foster international peace, and whilst the link with the United States, which is crucial for Japanese diplomacy, remains important, it is also necessary for Japan (and the Japanese armed forces) to forge a new role within the international sphere. Ozawa argues that the United Nations should be reformed and strengthened and that it is through this organization that Japan's role should be promoted. A key goal for Japan must be the pursuit of an open global trading system. On this point, Ozawa says that Japan must open its own markets. In respect of the Asian region, Japan should acknowledge its key economic role and look towards shaping the future. One area of activity would be through ODA, and here the role of ODA must be clarified so that it fits in with Japanese diplomatic aims in the region. Ozawa regards this as a constructive role for ODA.

Ozawa notes that there is no Japanese equivalent of the "American dream"; there is no "Japanese dream", and there ought to be one. In brief, the country is rich and yet the people are poor. A programme of reforms is proposed under the heading of the "five freedoms": 1) freedom from Tokyo via a set of radical decentralization measures including a new capital; 2) freedom from companies such that a series of reforms to company practices effectively shift priority towards the individual; 3) freedom from overwork, such that the present work-focused lifestyle shifts to focus more on leisure; 4) freedom from ageism and sexism, such that the heart of the Japanese system ceases to be overwhelmingly dominated by middle-aged men; and 5) freedom from regulation, such that Japan shifts from regulations (specific) to rules (general) which will thereby reduce direct bureaucratic control and enhance personal choice.

Overall, Ozawa's book is the manifesto of an important and influential politician. However, it has been suggested that the audience for this book lies not among the Japanese but among those foreign policy communities which are pressuring Japan in respect of reforms. It is a search for influence by Ozawa among important foreign groups but is not to be taken seriously as a practical political manifesto for reform in Japan.

Reforms to the Japanese Economy

Diagnosing the Problems

The general nature of the criticism of the Japanese economy is that the system is in some way a victim of its own success and that reform is urgently needed to redirect the energies of the system away from production, and the expansion of production, towards consumption, both private

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and public, for the benefit of the ordinary people of Japan.[22] The core of the critical commentary is that whilst the Japanese economy is very productive, the lives of the people who run this productive machine are narrow and impoverished. Thereafter, the line of argument varies.

Keynesians, such as Brian Reading,[23] argue that the system is running largely out of control and that the élite, whose power and inactivity are responsible for this, do not seem to notice the damage done to either the local population or the economies of other countries. Political reform is needed to redirect the system into economically rational and socially equitable directions. In a similar fashion, social-democrats such as Kyoko Sheridan[24] argue that the power of the system to order its developmental route to the future should not be abandoned to "market forces" but instead should be turned to the service of those who actually work the machinery. Against these lines, free marketeers such as Kenichi Ohmae look to a future of multinational firms operating within a borderless world[25] in the expectation that the free market will maximize the welfare of all.

Overcoming Illusions

At the outset it should be noted that the debate about the economy of Japan has a particular history. Bernard Eccleston[26] notes that the Japanese economic experience in the 1960s and 1970s was mainly studied by Third World development theorists who were interested in the speed of economic recovery of the post-war period. However, since the mid-1980s there have been strong "learning from Japan" literature, especially amongst business writers in the West, which have looked to borrow the lessons of success. Eccleston[27] notes that many commentators explain Japan's success in terms of cultural harmony and consensus. The genre concerned with learning from Japan has grown in the United States, with Ezra Vogel[28] as one key early figure. Eccleston notes that American work has tended to dominate the English-language literature and this is unfortunate as the material has tended to study Japan in terms of how it diverges from the U.S. model rather than directly.

Eccleston notes that Western economists committed to the stories told by the market-centred orthodoxy usually look to explain the success of the Japanese economy in terms derived from the orthodox vocabulary of free markets.[29] Moreover, the Japanese are also happy to speak in these terms because it frees them from attacks on trade deficits where they suggest that the real economic problem lies with the United States. U.S. marketeers have had a further occasion to read Japanese success in terms of the market, because acknowledging that other explanations were better, or could even be offered, would have undermined their position in domestic

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debates. There has been, in sum, a disposition to hide the uncomfortable neo-mercantile truth in favour of convenient free-market untruths.

Against all this, Eccleston argues that it is important for theorists to attend directly to the detail of the Japanese case. So far as Eccleston is concerned, the key to the reality of the Japanese political economy lies in the routine involvement of the state in the pursuit of economic development. The reality of the Japanese economy is that it is suffused with state direction. The observable harmony and consensus are not simply given but derive from episodes and practices lodged in the overall development history of Japan.

Eccleston[30] notes that the state is routinely interventionist and works in a corporatist fashion. It takes no large equity shares because it does not have to in order to secure control. The state invests in industry and infrastructure. The state holds down social consumption (of schools, hospitals, transfer payments and the like). The state encourages savings and uses them for economic development. The state oversees business activity with the Ministry of International Trade and Industry (MITI), offering "administrative guidance". In any case, the line between administration and business is blurred.

Debating the Developmental State

All this generates a series of issues that are hotly debated and involve the following: 1) the nature of the role of the state (where debate revolves around the costs/benefits of such interventions);[31] 2) the nature of the economic structure (where debates revolve around the costs/benefits of the dual structure with a large-firm and a small-firm sector);[32] 3) the nature of employment patterns (where debate revolves around costs/benefits of life-time employment and small-sector employment);[33] 4) the nature of the costs/benefits accruing to the Japanese consumer of the present system, for example, the controlled retail sector;[34] and 5) the costs/benefits of the production focus of the system to Japan's trading partners.[35]

As for the role of the state, the issue cuts directly to the heart of contemporary debates in social science in respect of the nature of the economic sphere and the appropriate role of the state in that sphere. In the dominant tradition of neo-classical market theory, which has been emphatically represented in the 1980s, the state has only a minimal rule-setting role in a system that centres on an otherwise self-regulating market. An essentially liberal model of state and market is affirmed. However, in the case of Japan it is quite evident that the role of the state is much broader than the simple business of rule-setting. Moreover, Japan has had a remarkable record of success in the post-World War II period. It is at this point that

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commentators such as Chalmers Johnson[36] or Ronald Dore[37] begin to speak of a "capitalist developmental state". However, it should be noted that there are legions of free market dogmatists ready to argue that the role of the state in the post-war recovery and success of the Japanese economy has been marginal at best. A further reaction is the refusal of commentators to grant that there might be something special from which others could learn in the "Japanese model" — indeed, one business magazine recently argued that Japan was "converging" on the American model.[38]

In the standard neo-classical model of the self-regulating market there are no broad structural discontinuities. The market-place is an essentially homogeneous economic space within which firms and consumers move. An economy which diverges from this ideal homogeneity would necessarily be taken to be operating inefficiently. The greater the divergence the greater the inefficiency. However, it is clear that the Japanese economy comprises a core of modern large-scale mass production-oriented firms, the realm of the salary-man, which together dominate the activity of the economy, and a large spread of small-scale firms which service the larger firms and the elaborate consumer distribution system as a whole. And it is also clear that the system both works and is successful. In debates on the structure of the Japanese economy a series of issues are addressed: 1) the nature of the organization of the large firms, both internally (how they order their workplace relations) and externally (how they order their links with sources of finance, sources of supply and consumers); 2) the nature of the organization of small firms (internally and externally); 3) the ways in which the two sectors interact (a mixture of large firm support and exploitation of small firms in manufacturing, plus small firm labour absorption in the service sector); and 4) the implications of this pattern for the overall performance of the Japanese political economy (which is made very productive), the Japanese society (which is made very co-operative), and the Japanese culture (which is made very consensual).

Johnson remarks that those who analyse Japan in terms of the self-regulating free market are in the same position as those who a few years ago used to anlayse the situation of the economy of the Soviet Union in terms derived from Marxism-Leninism.[39] And, yet, more pointedly, Dore suggests that perhaps relational contracting is a product of a process of civilizing which, by implication, the West has yet to run through.[40]

In the model of the neo-classical market theorists there is no life-time employment. The market for labour is like a market for dead fish[41] and if the price is right the market will clear. Any interference with the market mechanism can only result in economic inefficiency. However, as Hutton notes, the market for labour is embedded with complex social rules. This is a general truth.[42] And in Japan, as Dore has shown, the key is not

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open market "spot contracting" but rather "relational contracting". In the Japanese system, exchanges are between people who have an expectation of a long-term relationship. In the Japanese system, people do not deal with each other in terms of the immediate price that can be realized in a spot market. In the Japanese system, life-time employment works: it is widespread in the modern manufacturing and service sectors; in the small-scale sector, things are not quite the same — family firms and small firms may operate in terms of relational contracting but do not have the economic strength to run life-time employment strategies.

The costs and benefits to the Japanese manufactured goods consumer can be detailed in terms of a trade-off between short-term higher prices and long-term social harmony. The system as a whole is largely productive; yet the Japanese consumer of manufactured goods pays a high price for a distribution system that soaks up large amounts of labour. More broadly, a debate can be made around the general level of living enjoyed by ordinary Japanese in the light of the very productive system which they inhabit. Although it is much harder to judge the trade-offs made when the question is pitched at this general level, commentators are agreed that the system demands more than is warranted by the returns accruing to individuals. Against those who would immediately argue for free-market liberalization, the issue now becomes one of identifying an apposite schedule of reforms in respect of an apposite goal.[42]

The costs and benefits of the system to Japan's trading partners are widely debated. The position of Japan within the Pacific Asian region and, thereafter, the role of that region within the global system have exercised commentators ever since the 1985 Plaza Accord revalued the yen and occasioned a flood of Japanese capital, ODA and FDI (foreign direct investment) to the countries of Pacific Asia. Against those free-marketeers who argue simplistically for "free trade", and who load a schedule of reforms for the Japanese system onto this call, we must assert that the nature of the slowly evolving global system is a matter of some complexity. It is certainly clear that the Japanese economy is presently the core of Pacific Asia.[44] It is also clear that patterns of social change are slow. It might therefore be more useful to set the slogans aside in order to detail the real processes at work in the region.

Opening-up and Saying No: The Arguments of Kenichi Ohmae and Shintaro Ishihara

Ohmae[45] argues that discussions of Japan's position in the global system are clouded by a series of bad habits and myths. The former revolve around the insularity and undue sensitivity to criticism of the Japanese, whilst

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the latter revolve around the double myths of the superiority of Japanese management and the importance of economic nationalism. Ohmae says that the real issue for Japan is that those companies which have grown here are not yet fully tuned into the demands of the global system. Japan should resist criticism of its economic performance and liberalization efforts and compete vigorously within the new global system. It is a strongly free-market message. It is also a strongly pro-Japan message, and this later element is foregrounded in the polemic of Ishihara. Ishihara[46] argues that the Japanese economy is now strong and it is time for Japanese politicians, and the Japanese people, to stop apologizing for themselves and their success and instead take up a leadership role in the global system. The overwhelming concern of the analysis is, however, with Japan's relationship with the United States, and in this matter Ishihara is an unabashed nationalist.[47] In other words, it picks up the economic strength pointed to by Ohmae, and the need to work within a global system, but ties it to precisely the economic nationalism which Ohmae eschews. It is an interesting and subtle contrast — a vision of a "business Japan" versus a vision of a "nationalist-business Japan".

Reforms to Japanese Society

Diagnosing the Problems

The schedule of reforms canvassed in respect of the polity and economy is large, and their interactions various, and the proposals all have widespread implications for the nature of Japanese society. The problems which are routinely cited include: 1) poor housing; 2) poor public facilities; 3) long hours of work (and commuting); 4) inequality between genders; 5) excessively examination-centred schooling; 6) lack of leisure time for families; 7) habits of conformity which are overstressed; and 8) the problems of an aged population. In all, the Japanese people are presented as the unwitting victims of the corporatist system which they have created and from which they benefit — it is a paradox of relatively limited lives amongst one of the world's most productive economies.

If we consider the Western commentators, excluding the over-anxious nationalists, then theorists of the right propose the liberalization of the Japanese economy in the expectation that consumer benefits will follow, whilst commentators of the centre-left propose a more consumer-friendly democratic system. In this way one can see a broad similarity in the approaches of the two groups as both are concerned with enhancing the position of the Japanese consumer at the expense of currently dominant producer interests. However, if we consider the debate amongst Japanese

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commentators then it seems to be either rather scattered to Western eyes, as with Honda's critical pieces or, as Sheridan notes, "there still has been surprisingly little popular public debate in Japan about the future directions of economic development and national purpose".[48]

A Social-democratic and Japanese Japan

A quite distinctive view is offered by Sheridan[49] who begins by noting that Western commentators on Japan often cite three reasons for its development success, and these are the culture, the role of the government, and the neglect of welfare. Proposals for reform follow directly from this diagnosis, with commentators arguing that the government should redirect the system's attention towards consumption (public and private), and should do so by withdrawing from its routine and extensive involvement in the system in favour of a greater role for market forces. Sheridan takes the view that this is poor advice for there is no particular reason to privilege the market-place, notwithstanding the standard stories told by economists about the maturation of economies, and that to do so would only, in reality, privilege the economically powerful. In contrast, Sheridan argues that the state is routinely involved in the economy and society and that in place of a withdrawal there should be a redirection of involvement away from the single-minded pursuit of economic expansion towards a social-democratic concern for the quality of life of the Japanese people. After an exhaustive review of the development experience of Japan, Sheridan presents her conclusions.

Sheridan argues that it is the case that the Japanese people have become rich[50] and yet there are clear problems: 1) long working hours and long commuting times; 2) very expensive housing costs; and 3) lack of adequate "social capital" (or infrastructure).[51] Sheridan notes that in the 1960s and 1970s there was some improvement in the quality of life (for example, with environmental standards) as well as a reducing inequality in wealth, but the 1985 revaluation of the yen triggered speculation on the back of asset inflation which did great damage (especially via land prices which led to higher housing costs).[52] However, Sheridan does see reasons for hope in the signs that the Japanese people are beginning to shift from the "politics of fear" to the "politics of utopias"; that is, away from reactive positions towards prospective stances. And relatedly, the system does allow collective effort with respect to communal goals. Sheridan argues that the system could be shifted away from its preoccupation with economic expansion towards the provision of the social capital necessary to improve people's lives.[53]

The Japanese state is an activist one and it is effective in that role.

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If the myths of the marketeers are set aside (as well as some of the prejudices against social spending of the Japanese Government), then a future oriented to quality of life could be envisioned. Sheridan then goes on to unpack this overall proposal in terms of a series of policies: 1) to enhance the position of women; 2) to improve local and neighbourhood life; 3) to reduce inequalities; and 4) to reform the land market. All of these goals are to be pursued with a "Japanese strategy" which would draw on the country's established strengths of co-operative and collective hard work.[54]

Reforms to Japanese Culture

A series of commentators have made the point that the pattern of life of the ordinary Japanese is suffused with references to the distinctiveness of Japanese culture.[55] A nationalistic ideology of control is often diagnosed.[56] However, against these critics it is also possible to point to patterns of co-operative action which seem to be deep-seated and valuable.[57] Sheridan[58] looks to a future for Japan which will draw on these traditional resources in order to foster a more humane society.

One might point to two broad occasions for change in Japanese culture: 1) patterns of change flowing from Japan's involvement with the global system such that the global system impinges ever more acutely on received patterns of life in Japan (either through "messages" from the outside coming into Japan or, what is already happening, increasing numbers of Japanese travelling outside Japan and finding new ideas and experiences as a result);[59] and 2) the drive for political reform within Japan where this is taken to be the key to a further spread of economic and social reforms — all of which, both processes and programmes, will challenge received ideas and practices.

Reforms to the Linkages with Pacific Asia

Diagnosing the Problems

The relationship of Japan with the rest of Pacific Asia is bound up with trade, and with FDI and ODA linkages. It is a familiar claim that ODA is designed to secure broad regional economic integration around a core role for Japan. As such, the issue spills over into the related matters of political-economic reform. If we focus the discussion on the role of ODA, we can cut through the material in a number of ways: 1) the ethical critique of ODA;[60] 2) the role of ODA/FDI in Pacific Asian regionalism;[61]

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3) the diplomatic analysis of ODA;[62] and 4) the resultant place of Pacific Asia within the wider global system.[63]

A Critique of ODA

Alan Rix looks at the philosophy, organization and intentions of Japan's ODA and asks how it is linked to a "leadership" role in Pacific Asia. In this way, Rix draws on rather conventional discourses of development within the West where, at least in principle, an ethical imperative drives involvement with matters of development. Rix investigates the situation in Japan and discovers a lack of similar purpose, notwithstanding official statements of intention.

The official rationale for Japan's ODA is that it helps the less fortunate. Self-help by recipients is stressed, otherwise there is no consistent view evidenced. There are cultural antecedents in Meiji ideas of self-help, and charity is not stressed.[64] Rix notes that trying to grasp Japanese motivation is not easy as MITI stresses trade, resources and markets whilst the Ministry of Foreign Affairs (MOFA) looks to diplomacy and security, and there are shifts and changes in emphasis over time.[65] The focus on Asia and the stress on responsibility is noticeable, and Rix comments that "Asian development was more a means of achieving Japanese objectives than a goal in its own right".[66] Rix notes that recent statements of the objectives of ODA have repeated earlier statements, albeit with a slightly defensive tone.

Inside Japan, the stress has tended to be on Japan's "duty" to give ODA, which flows from ideas about Japan's relative wealth, position "between the West and Asia", and the need to be seen as a "responsible nation".[67] In recent years, ODA has become a public issue — both its size and scandals — although, broadly, ODA is supported by the public, perhaps only in lukewarm fashion. Rix reports that there is a growing critical discussion, and a recent development has been non-governmental organization (NGO) activity.[68]

The key to reform, so far as Rix is concerned, lies in the bureaucracy which is where Japan's ODA programme is lodged. The patterns of action followed are the result of complex bureaucratic infighting and, whilst reform would be difficult, Rix argues that without it the ODA programme would remain unfocused.[69] However, whilst the bureaucracy has been criticized in public, and there have been reports and discussions, Rix concludes that it is unlikely that action will be taken.[70] Overall, it is likely that Asia will remain the focus of Japanese ODA activities and that this effort will remain loosely oriented to securing Japanese economic advantage in the region.[71]

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In sum, Rix argues that the Japanese ODA programme is relatively loosely organized and that whilst it needs revising so as to encompass a Japanese ODA leadership role, this is unlikely to happen. The present system serves many vested interests and all seem content with the *status quo*. The role of ODA seems to be that of assisting the further creation of a Japanese economic sphere. There will be Japanese "activity" but little "leadership".[72]

A Pacific Asian Bloc

The role of ODA, FDI and trade in the constitution of an integrated Pacific Asian bloc is considered by Pasuk Phongpaichit, who argues, in brief, that the post-1985 wave of Japanese investment in the region was driven by structural changes in the Japanese economy (as it moved to higher value-added activities) and was shaped by the actions of governments and firms in the recipient countries. Phongpaichit expects this pattern of regional development around Japanese ODA/FDI to continue in the future, even if there are problems, such as the "hollowing-out" of the Japanese economy and a build-up of "yen debt" amongst recipient countries.

In a similar vein, Denis Yasutomo deals with the diplomatic rationale of Japanese ODA and sees it as a matter of national self-advancement. The role of ODA is lodged within a concept of "comprehensive national security" which urges that national security depends upon regional security and, this in turn, is helped by economic growth in the area. Yasutomo argues that the Japanese Government pursues five inter-related goals with its ODA programmes: 1) economic well-being; 2) national prestige; 3) domestic support; 4) peace diplomacy; and 5) national security.[73]

As the Pacific Asian region integrates there will be wider implications for the global system of the development of Japan, and these implications are the concern of Richard Cronin who argues, in brief, that Japan can constitute the core of the region but that the region's export-dependency on the United States means that the region cannot become a closed bloc.

A Series of "Scenarios"

Cronin offers a series of "scenarios" for the future. The first scenario[74] is of the competitive globalization of Japan. Cronin argues that "this would have Japan interacting with Asia as an increasingly open economy, partially supplanting the United States as an export market for Asia–Pacific countries, while at the global level using its financial resources to undergird the present system".[75] A wider spread of concerns in respect of ODA might also be anticipated, including "greater participation by non-Japanese firms

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and more emphasis on human resources development. . . investment projects would involve more participation by local subcontractors, transfer more technology, and be more oriented to the Japanese market".[76]

Cronin suggests that this scenario is close to the optimistic reform position within Japan and would find support in the United States. It would mean Japan "using its growing economic power to support the current global trading system".[77] On optimistic analyses, the result would be an expanding global economy and a stable international environment. Cronin reports that an "important theoretical basis for this scenario is the premise that Japan cannot suspend indefinitely the operation of what many see as universal economic laws",[78] and that liberalization will have to take place. However, he immediately adds that support within Japan for "globalization" remains "shaky at best".[79] In sum, this scenario involves Japan building on established links with the United States and Pacific Asia in order to further develop the open markets of the region as the closed Japanese system bows to economic market logic and opens up to the global system.

The second scenario sees "Japanese aid and investment in Asia as primarily acting to increase the competitive position of Japanese companies in world markets *vis-à-vis* the fast rising NIEs, while Japan's own markets remain relatively closed".[80] Cronin speculates that this is an unstable line of advance as trading partners might react against the lack of reciprocity. Over the longer term, the Japanese relationship with the United States could wither away, and such an eventuality would call into question many currently taken for granted ideas with respect to order in Pacific Asia. A school of thought has now emerged, reports Cronin, which holds that Japan "will not significantly abandon its neo-mercantilist policies"[81] and that there are many problem areas that could tip the Pacific system towards protectionism (for example, the issue of the U.S. trade deficit). In sum, the second scenario[82] is one of heightened rivalry as Japan continues to build up its own position, thereby fostering conflict as other states respond to protect their economies. The implication is one of various patterns of breakdown of the established global order.

The third scenario sees "Japanese aid and investment, and increasing access to the Japanese market by Asian exporters, as producing a Japan-centred Asia–Pacific economy".[83] Cronin comments that this scenario could develop in a beneficial way for most countries other than the United States or could turn into a second co-prosperity sphere. In both "variants of this scenario, Asia-Pacific countries would become increasingly dependent on Japan for capital flows (both aid and investment) and increasingly tied to Japan by trade links, while whole U.S. domestic manufacturers and multinationals would face increased competition both in Asian and

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in the U.S. market".[84] One condition required by this scenario is that the Japanese market supplants that of the United States as the regional core, able to draw in the region's imports and fuel the region's need for new capital and technology.

Cronin notes that there is no agreement at present on how the system is moving, and that there are arguments for and against the notion of an emerging yen zone. However, Cronin takes the role of the United States as a market and investment location to be of continuing importance, and thus the emergence of a yen bloc looks unlikely. In sum, the third scenario[85] is a Japan-dominated Pacific Asia where more ODA and FDI plus trade access for Asians to the Japanese market result in the creation of a yen bloc. However, cutting against this possibility is the general extent of global integration and the particular links which Japan has with the United States.

Small Prospects for Change

Overall, it would seem that the prospects for change in Japan are relatively limited. One additional point must be made because, as Buckley[86] reminds us, whilst Japan's economic strength works quietly to its advantage in a global system dominated by economic, rather than military, concerns, the key external relationship for the Japanese Government is with the United States. It is difficult to envision any significant changes in the role which Japan plays within the global system being made without the link to the United States first being reworked — and this would require a considerable political departure from established patterns on the part of the government of Japan.

Japan in the Future

The classical tradition of social theorizing allows the identification of patterns of change which run over long periods of time:

1. structural change within an economic system as new patterns of production and exchange develop;
2. structural change with a political system as new groups emerge within the economic system and come together to formulate, lodge and secure political changes;
3. deep-seated change in society as the detail of patterns of life and institutional arrangements adjust to new political-economic conditions; and
4. subtle changes within the cultural sphere as new experiences and arrangements are self-consciously read back into the social world.

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None of this denies that complex change can be fairly abrupt or that in some social spheres there can be a rapid sequence of changes.

If we review the broad sweep of the history of Japan, it is evident that deep-seated structural change in the political economy, society and culture has been slow. It seems therefore that policy-makers and commentators should not be seduced by the present fluidity within the Japanese parliamentary and party system into thinking that rapid structural change is about to take place. There seem to be few grounds for anticipating a more overt leadership role for Japan in Pacific Asia as the domestic constraints are too severe. However, in the future we might expect Japan's long established preoccupation with Pacific Asia to continue as the region's economic integration deepens.

NOTES

1. See K. van Wolferen, *The Enigma of Japanese Power* (London: Macmillan, 1989).
2. See B. Reading, *Japan: the Coming Collapse* (London: Orion, 1992).
3. K. Sheridan, *Governing the Japanese Economy* (Cambridge: Polity, 1993). See also K. Honda, *The Impoverished Spirit of Contemporary Japan* (New York: Monthly Review, 1993).
4. Sheridan, op. cit., looks to a shift from "fear" to "utopias" in social and political thinking.
5. See A. Rix, *Japan's Foreign Aid* (London: Routledge, 1993).
6. E. Gellner, *Thought and Change* (London: Wiedenfeld, 1964).
7. R. Buckley, *Japan Today* (Cambridge University Press, 1990), chapter 7.
8. See Reading, op. cit., chapter 16.
9. See van Wolferen, op. cit., chapter 5.
10. See ibid., chapter 5 and Introduction.
11. See ibid., chapter 2.
12. An early example seems to have been E. Vogel, *Japan as Number One* (Harvard University Press, 1979). A recent example can be J. Abegglen, *Sea Change* (New York: Free Press, 1994).
13. An example can be L. Thurow, *Head to Head* (New York: William Morrow, 1992). See also the commentary of Paul Krugman, *Peddling Prosperity: Economic Sense and Nonsense in the Age of Diminished Expectations* (New York: Norton 1994), chapter 10.
14. R. Dore, *Flexible Rigidities* (Stanford University Press, 1986).
15. van Wolferen, op. cit.
16. Honda, op. cit.
17. John Lie, "Introduction" in Honda, op. cit., p. 9.
18. The confusion in party politics is great. For a discussion, see K. van Wolferen, "Japan in the Age of Uncertainty", *New Left Review* 200 (1993).
19. I. Ozawa, *Blueprint for a New Japan* (Tokyo: Kodansha, 1994).
20. Ibid., Part One.
21. Ibid., Part Two.
22. See van Wolferen, op. cit.

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23. Reading, op. cit.
24. Sheridan, op. cit.
25. K. Ohmae, *Beyond National Borders: Reflections on Japan and the World* (Tokyo: Kodansha, 1987).
26. B. Eccleston, *State and Society in Post-War Japan* (Cambridge University Press, 1989).
27. Ibid., chapter 1.
28. Vogel, op. cit.
29. See, for example, *The Economist: A Survey of Japan*, 9 July 1994.
30. See Eccleston, op. cit., chapter 4.
31. This has spilled over to take in East Asia generally. See World Bank, *The East Asian Miracle* (Oxford University Press, 1993).
32. See Eccleston, op. cit., chapter 3.
33. A theme picked up by Ron Dore in his discussions of "relational contracting".
34. See van Wolferen, op. cit., chapter 16.
35. See ibid., chapter 16; and Eccleston, op. cit., chapter 4.
36. C. Johnson, *MITI and the Japanese Miracle* (Stanford University Press, 1982).
37. R. Dore, *Flexible Rigidities* (Stanford University Press, 1986).
38. See *The Economist*, 9 July 1994.
39. C. Johnson, "History Restarted", in *Pacific Economic Relations in the 1990s*, edited by R. Higgot et al. (St Leonards: Allen and Unwin, 1993), p. 49.
40. R. Dore, "Goodwill and the Spirit of Market Capitalism", *British Journal of Sociology*, reprinted in M. Granovetter and R. Swedberg, eds., *The Sociology of Economic Life* (Boulder: Westview, 1992).
41. A metaphor I take from Will Hutton, *Weekly Guardian*, 31 July 1994.
42. See, for example, G. Hodgson, *Economics and Institutions* (Cambridge, Polity, 1988); and R. Dilley, ed., *Contesting Market* (Edinburgh University Press, 1992).
43. It can be argued that Japanese consumers enjoy a level of local service within a richly elaborated local context which reaches back to the urban traditions of the Edo period. See A. Ueda, *The Electric Geisha: Exploring Japan's Popular Culture* (Tokyo: Kodansha, 1994).
44. M. Shibusawa, et al., *Pacific Asia in the 1990s* (1992).
45. Ohmae, op. cit. See also K. Ohmae, *A Borderless World* (Tokyo: Kodansha, 1990).
46. S. Ishihara, *The Japan That Can Say No* (New York: Simon and Schuster, 1989).
47. For a comment on Ishihara, see Honda, op. cit., pp. 150–37.
48. Sheridan, op. cit., p. 3.
49. Ibid., pp. 1–8.
50. Ibid., pp. 218.
51. Ibid., pp. 219–20.
52. Ibid., pp. 220–22.
53. Ibid., pp. 222–26.
54. Ibid., pp. 226–50.
55. The post-World War II *locus classicus* of the "culturalist" reading of Japan is surely Ruth Benedict, *The Chrysanthemum and the Sword* (1994). See also K. Yoshino, *Cultural Nationalism in Contemporary Japan* (London: Routledge, 1993).
56. See van Wolferen, op. cit., chapter 10. See also P. Dale, *The Myth of Japanese Uniqueness* (London: Croom Helm, 1993).
57. See Vogel, op. cit. See also Ron Dore, op. cit; and Y. Masakuza, *Individualism and the Japanese* (Tokyo: Japan Echo, 1994).
58. Sheridan, op. cit.
59. Recall Honda, op. cit.

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60. See Rix, op. cit.
61. See Pasuk Phongpaichit, *The New Wave of Japanese Investment in ASEAN* (Singapore: Institute of Southeast Asian Studies, 1990).
62. See D.T. Yasutomo, *The Manner of Giving* (Lexington: Heath, 1986).
63. R. Cronin, *Japan, the United States and the Prospects for the Asia-Pacific Century* (Singapore: Institute of Southeast Asian Studies, 1992).
64. Rix, op. cit., pp. 15–16.
65. Ibid., p. 20.
66. Ibid., p. 23.
67. Ibid., p. 25–30.
68. Ibid., p. 48–64.
69. Ibid., p. 72–73.
70. Ibid., p. 78–91.
71. On the diverse linkages which Japan has with Pacific Asian countries, see B. Koppel and R. Orr, eds., *Japan's Foreign Aid* (Boulder: Westview, 1993).
72. Rix, op. cit., chapter 6.
73. Yasutomo, op. cit., pp. 112–14.
74. Cronin, op. cit., pp. 107–9.
75. Ibid., p. 107.
76. Ibid.
77. Ibid.
78. Ibid., p. 109.
79. Ibid., p. 110.
80. Ibid., p. 111.
81. Ibid., p. 112.
82. Ibid., p. 111–14.
83. Ibid., p. 115.
84. Ibid.
85. Ibid., p. 115–18.
86. Buckley, op. cit.

PETER W. PRESTON is Senior Lecturer in the Department of Government at the University of Strathclyde, U.K.

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A Test Case for China's Defence and Foreign Policies

YOU JI

The South China Sea has increasingly assumed an important place in the People's Liberation Army's (PLA) contingency plans for limited war. This is largely due to China's claim to the Spratly Islands — a sprawling archipelago which is contested in whole or in part by several other countries. The Spratlys constitute a significant test case for China's defence and foreign policies. Preparations for potential conflict over the Spratlys have already forced changes to the PLA Navy's force structure and doctrine. Yet, China's foreign policy is dictated by opposing, rather than straightforward, impulses: one driven by irredentism, while another seeks to give evidence of a responsible country among the community of nations in an increasingly interdependent world.

The Spratly archipelago is regarded as a potential flashpoint in the Asia–Pacific region. All of the five parties involved in the Spratly disputes harbour long-term mistrust towards one another. And recent encounters, such as arrests of fishermen or oil exploration activities in the waters subject to overlapping claims, might trigger a confrontation. More importantly, the emergence of the Spratlys as a potential flashpoint is due to its strategic and economic importance, and to the militarization of the islands occupied by the claimants.[1] To some Asian countries, China seems to be at the centre of the controversy. Thanks to its strong economic growth over the last fifteen years, the modernization of the People's Liberation Army (PLA) has enabled its power projection to gradually stretch into the South China Sea. Will China resort to the use of force when a Spratly dispute escalates? Or if China opts for a peaceful settlement of disputes,

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what are the constraints imposed upon it that underline such an option? This article seeks to explore these questions. Indeed, as China enters an era of far-reaching transition, there has emerged a visible ambiguity in its defence and foreign policies. Diplomatically, China is pursuing a policy of interdependence that has helped it reap considerable economic gains. In recent years it has made particular efforts to improve its relations with the countries of the Association of Southeast Asian Nations (ASEAN) so as to offset growing Western pressure following the end of the Cold War. Militarily, however, the increase in the country's power projection capabilities, coupled with irredentist rhetoric, has overshadowed China's attempts at regional confidence-building. As China is at a crossroads, a Spratly settlement could serve as a test case to help understand China's search for its place in the new world order.

The Spratlys and China's Defence Strategy

The Shift to a High-technology War Strategy

China's military strategy has undergone a significant transition since the early 1990s. Essentially, it is being transformed from Mao Zedong's strategy of people's war under modern conditions to a post-Mao strategy centred on preparation for high-technology warfare.[2] The transition can be traced back to the second half of the 1980s, when the military strategy started to focus on qualitative development in the upgrade of military hardware rather than on those elements associated with the doctrine of people's war. With such a shift, far-reaching reforms have taken place within the PLA. One million troops have been demobilized. The specialized services, such as the air force, navy and nuclear forces, have received priority in development. At the same time, the PLA's strategic posture has been reoriented from preparation for an early confrontation with the Soviet Union to limited regional wars caused by territorial disputes.[3]

The PLA's modernization advanced slowly throughout the 1980s partly because of an inherent contradiction in the strategy of people's war under modern conditions. On the one hand, deep cuts in the PLA's personnel and the de-emphasizing of national mobilization rendered irrelevant a war strategy based on populous defence. On the other, the generally poor level of equipment in the PLA meant that it could hardly meet the needs of "modern conditions".[4] The emphasis on limited regional wars could hardly provide a comprehensive programme of development for a military establishment the size of China's. For a number of years the Chinese leaders were without a strategic defence guideline, as reflected by the PLA's failure to identify a clear target on which to focus military research

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and development (R&D). Deng Xiaoping pragmatically bet on the dangerous balance of power between the United States and the Soviet Union to buy time to develop China's economy, upon whose base, he hoped, future military modernization would be accelerated.[5] As a result, the 1980s saw a constant decline in the military budget. In effect, the PLA became a dependent, rather than an independent, variable in the country's overall development strategy as it was ordered by Deng to exercise "self-constraint".[6]

The Chinese leadership reviewed its defence strategy at the beginning of the 1990s. The events of 4 June 1989 had highlighted its concern over Western efforts to effect a "peaceful evolution" in China.[7] The collapse of the Soviet Union had also forced the Chinese Communist Party to reconsider Deng's calculation that the rivalry between the two superpowers would allow a protracted period of uneasy peace. Although the Party still believed that the prospects of a major war were remote, it concluded that China's strategic environment had become precarious.[8] As one military researcher pointed out, "the possibility of joint Western action against China is not to be ruled out".[9]

The Chinese study of operations during the Gulf War of 1991 played a decisive role in the PLA's adoption of a high-technology military strategy as the guideline for its modernization. During the Gulf War, all Chinese military headquarters received round-the-clock satellite coverage and set up special research task forces. Towards the end of 1991, the Central Military Commission (CMC) convened a series of meetings to receive reports from these task forces. The consensus view of the reports was that in any future wars that involved China, regardless of whether they were total or limited regional wars, victory would inevitably hinge on the use of high-technology weaponry.[10] Subsequently, a decision was taken to call upon the PLA to enhance its preparedness for a possible high-tech conflict.[11]

The significance of adopting a high-technology oriented defence strategy was that it created a realistic defence objective on which the PLA could adjust its doctrine, tactics and force structure. PLA planners noticed that behind almost every flashpoint in Asia that might involve China, the U.S. military looms large in the background. In the Spratlys, a PLA contingency plan to capture islands occupied by other claimants would have to factor in possible U.S. support for China's adversaries, particularly the Philippines. PLA planners have realized that as most countries in Asia are acquiring high-technology weapons, even regional conflicts will bear characteristics of a high-technology war, and the PLA must gear its strategy towards such a reality.[12]

The PLA's shift to preparation for high-tech war is of great salience

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to this article. When the PLA embarks on this new path of development, over time it will not only introduce more state-of-the-art weapons but also revolutionize its traditional military thinking. Geographically, the strategy dictates a qualitative expansion of defence depth on land, air and at sea. In terms of hardware, high-technology increasingly blurs the boundaries between offensive and defensive weapons. One may thus expect to find the PLA's defence posture increasingly forward-deployed in orientation. As the PLA Navy's search for blue-water power has already demonstrated, this posture will gradually affect the regional security landscape. On the other hand, the PLA's reaction to strategic concerns (the big powers) may extend the space and time for a negotiated settlement of regional disputes, as it is undesirable for the PLA to engage in a two-front confrontation. For instance, the PLA's stress on limited wars in the 1980s (mainly aimed at territorial disputes) has become out of step with Chinese foreign policy in the 1990s, which gives priority to the improvement of neighbourly relations.

Based on the changing perception of threats in the post-Cold War era, China has adopted a two-tier national defence strategy. While the first tier is to augment the PLA's nuclear capability to deter the big powers, the second is to improve the PLA's conventional firepower to deal with any regional conflicts on land or at sea.[13] The nuclear strategy is seen as crucial to cope with the threat posed by big powers. However, even under the concern of rising American pressure, the PLA still believes that the pressure will not be translated into confrontation in the near future. Therefore, the military R&D for second-tier war preparations should be improved, although its ranking of importance may have been lowered somewhat, compared to the previous decade.[14] As far as the second-tier maritime strategy is concerned, the Spratly Islands and Taiwan hold a central place in the PLA's contingency plans of action. In the last few years, however, because of the quickened pace of the independence movement and acquisition of U.S. weaponry, Taiwan has commanded greater attention from the leadership.[15] In both the first and second tier of the national defence strategy, there is no doubt that the Navy occupies a key position.[16]

The Spratlys and the Naval Strategy of Forward Defence

The sovereignty disputes over the Paracels and Spratly Islands in the mid-1970s provided the basis for the PLA's power projection beyond coastal areas. As early as 1973, the late Premier Zhou Enlai proposed to build aircraft carriers. In talking to a visiting American senator, he was quoted as saying that "Without aircraft carriers we cannot recapture Xisha and Nansha Islands which are occupied by South Vietnam. I cannot allow our

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soldiers to wage a bayonet charge over there". Zhou ordered Marshal Ye Jianying to discuss the issue of carriers in CMC meetings. In the same year, Mao Zedong instructed the Navy to study the direction of naval modernization because, he wrote, "The situation in the Paracels and Spratly Islands has become increasingly worsened for us".[17]

This series of instructions from the apex of power paved the way for the construction of larger warships. More importantly, it rekindled the recognition that in dealing with maritime territorial conflicts a navy had to go to deep oceans. Gradually, this recognition was developed into a complete set of new naval theories, including blue-water combat tactics, blue-water weapons systems, and above all, a sea power mentality (*haiyang yishi*). In 1991, Vice-Admiral Cheng Mingshang, Vice Commander-in-Chief of the Navy, set this out in clear terms:

> The navy is the tool of the state's foreign policy. Compared with the army and air force which cannot go beyond the national boundaries, an international navy can project its presence far away from home. It can even appear at the sea close to the coastal lines of the target countries. While this may demonstrate the power of the big countries, it does not provide any formal excuse for the target countries to protest. This has made the navy the most active strategic force in peace time, a pillar for the country's foreign policy and the embodiment of the country's will and power.[18]

Admiral Liu Huaqing systematically summarized the new naval theory as an active green water defence strategy (*Jiji de jinhai fangyu zhanlie*).[19] First, the strategy cancelled the old naval doctrine based on "maritime guerilla warfare" that made the Navy an accompanying unit to the ground forces. For the first time in PLA history, the naval service was recognized as an independent force assuming strategic and campaign objectives. Under Liu's active defence strategy, the Navy was to accomplish missions to capture and defend islands, protect and blockade sealines of communication, and pursue other overseas operations.[20]

Secondly, the strategy emphasized long-range power projection and high manoeuvrability of naval forces. Geographically, the concept of *jinhai* embraces the Chinese waters adjacent to the Russian port of Vladivostok in the north, to the Straits of Malacca in the south, and continues to the first island chain of the Western Pacific in the east. This covers a vast area of the Pacific incorporating Japan, the Liuqiu Islands and the Philippines. One commander observed that the Navy must project a sea control capability beyond the second chain of islands.[21] There is no doubt that the concept represents a forward strategy with its scope, extending beyond China's claims to the Paracels and Spratly Islands.[22]

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Thirdly, Liu Huaqing's strategy aimed at ultimate deterrence against the big powers. One Chinese military strategist pointed out:

> Given the strategic interests of the US and USSR in this region [the Western Pacific], the presence and growth of our navy should create more strategic pressure. Therefore, the two superpowers will not be able to do whatever they want with no regard to our country.[23]

This desired higher level of deterrence showed China's resolve to attain a force status that can win it the respect of the big powers.

Accordingly, Liu Huaqing's strategy made the modernization of weaponry and the rationalization of force structure the priority in the Navy's search for a blue-water capability. The Navy mothballed a large number of warships that were not capable of blue-water navigation, and increased the number of nuclear-powered submarines in proportion to major surface warships.[24] At the same time, it has worked out detailed plans to enhance the capability for flashpoint conflicts in the medium term.[25] Special efforts have also been devoted to R&D for aircraft carrier-led battle groups.[26]

In the Navy's ambitious modernization programme and forward defence strategy, the Spratlys dispute has occupied a unique position, which has provided substance to the PLA's second-tier strategy designed to cope with threats to China's maritime interests. To naval planners, China must raise its preparedness for limited wars that may disrupt its economic development. Rear Admiral Lin Zhiye has commented:

> Towards the end of this century and early in the next, the major political and economic conflicts between our country and other countries will focus on the sea. The threats to our development and security also come from the sea. To be more exact, they lie in the areas within the first island chain in the South China Sea.[27]

Indeed, the preparation for conflict in the Spratlys has been used by the Navy to demand a larger allocation of funds and high-technology weaponry.[28] The great distance between the Spratlys and the Chinese mainland justifies the acquisition of larger surface combatants, long-range aircraft and an accompanying aerial refuelling capability, sufficient logistical supplies and forward naval bases in the South China Sea. The ability to overcome such distances constitutes the core of the Navy's blue-water strategy: the need to improve mobility, rapid response and survivability. These constitute the criteria for the Navy's weapons programme until the end of this decade. So far, no other area can substitute for the Spratlys as better stimulus for the Navy to conduct forward operations. Inevitably, all the advocates for a blue-water navy regard the Navy's capability of reaching the Spratlys to be a key parameter for safeguarding China's territorial and economic interests.[29]

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The PLA's Naval Build-up in the 1990s

The PLA Navy's (PLAN's) quest for a high-technology force is ambitious. In the 1990s, the Navy is set to achieve a relatively large radius of action, reaching the first island chain of the South China Sea.[30] To this end, according to Rear Admiral Cheng Ming, head of the Navy's equipment department, the development of a new generation of major surface combatants, larger submarines and long-range aircraft will be priority areas in the years to come.[31]

A New Generation of Major Warships

Major surface combatants are the mainstay of the PLAN's ocean-going fleet. By Western standards, the technology of these warships is obsolete and of little value in extended operations at sea.[32] In comparison with other claimants to the Spratlys, however, the fleet has a clear edge and has been fairly effective in power projection beyond China's coastal waters. This is reflected in its capacity to maintain surveillance and protection of offshore resources in the Yellow, East China and South China Seas.[33]

This fleet of major surface combatants is in the midst of a generational change, both in terms of ship design and weaponry. Yet serious deficiencies remain for most of these warships. For instance, the hull of both the *Luda* class DDG (destroyer) and *Jianghu* class FF (frigate) was designed with very high sides, reflecting a rationale that major surface combatants were to engage the enemy at a short distance with their big guns. The impact of the coastal defence legacy can also be seen in the lack of a surface-to-air missile (SAM) system on board major surface combatants, as formerly in coastal defence the fleet could be brought under the protection of land-based air power. Related to this are poor anti-submarine warfare (ASW) and electronic counter-measure (ECM) capabilities. Due to many weaknesses, the *Luda* class destroyers do not make the PLAN a blue-water navy.[34]

China has expended enormous effort to rectify these deficiencies in trying to meet the requirements of its blue-water strategy. The reliance on big guns has been substituted by long-range precision-guided over-the-horizon anti-ship missiles. Fire and navigation control systems have been upgraded through the purchase of Western armaments and technology, and the deployment of foreign-designed helicopters on board ships has improved the Navy's ASW capabilities.

Since the late 1980s, a number of new DDGs and FFs have entered service. *Zhanjiang* class destroyers (named after the City of Zhanjiang, the headquarters of the South China Sea Fleet) have an enlarged displacement

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of 4,200 tons versus the *Luda* class' 3,200 tons. With two ships commissioned, this class embodies many foreign technologies — US LM 2500 gas turbines, Crotale naval octuple SAM launchers, a Z-9A (Daupin II) helicopter, and MK 46 2 ASW torpedoes.[35] In the meantime, at least three new frigate types have joined the service. These include three ships (535, 536, 537) of the *Kaifeng* class.[36] Equipped with eight C-801 missiles, this series is a transitional design, pending a more advanced class to replace the *Jianghu* class as the mainstay of China's frigates.[37] The Navy's anti-aircraft (AA) capability was enhanced with the introduction of the *Jiangdong* class FF, with China's first vertical launch missile system, the HQ61 SAM, which is controlled by an indigenous phased-array radar system. The *Jiangwei* series is the latest of China's missile frigates, with two ships, 539 and 540, commissioned. The series has an enlarged displacement of 2250 tons, and good sea-keeping capability. Similar to the *Jiangdong* class, it carries the HQ61 SAM system with six canister-launched missiles which have a reported maximum effective range of 8,000 metres at Mach 3.[38]

The new classes of destroyers and frigates have been designed to provide the Navy with more specialized ships to cater for different tasks required by deep ocean combat missions and, potentially, for the formation of aircraft carrier battle groups. More importantly, the new ships will boost the number of ocean-going combatants. For the PLAN, a sufficient number of warships is of vital importance, as was shown in the naval clashes with Vietnam in 1974. Then the Navy had to hurriedly dispatch ships from the East and North Fleets to the South, trading off strength in these key areas. After the South Sea Fleet had been reinforced in the 1980s, it was able to handle the 1988 incident in the Spratlys with great ease.

Naval Aviation

Composed of three anti-surface (AS) attack and five fighter divisions, China's Naval Air Force (NAF) is one of the largest in the world. As with the fleet of major surface combatants, it is undergoing major restructuring. A large number of F-6s (Farmers), forming a large part of the NAF, are being decommissioned as they cannot provide protection for ships that go beyond offshore areas.[39] At the moment, only SH-5s (Maritime Bomber 5s) and a few dozen H-6s (Badgers) are capable of maritime operations. The latter have conducted regular patrol and surveillance duties in the Spratlys since the 1980s.

There is no doubt that the NAF represents the weakest link in the Navy's long-term plans to become a blue-water force. Since the 1980s, China has implemented a programme of retrofitting its aircraft such as the J-8II, A-5 and B-7, with Western technology. This is a transitional measure before

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a new generation of aircraft becomes operational.[40] However, the big gap between modern Western technology and the obsolescent Soviet design seems irreconcilable. For instance, the test retrofitting of fighter jets J-8II with American avionics system yielded results far short of the PLA's expectations. Vice-Admiral Li Jing, Deputy Chief of General-Staff, announced in 1989 that several types of new generation aircraft would enter service in the mid-1990s.[41] To fill the gap, China has turned to the Russians: the Su-27 deal is a response to the PLA's efforts for a "quick fix".

The procurement of Su-27 multi-role fighters has been a topic keenly discussed amongst Asian and Western defence analysts since early 1991, although it is still unclear exactly how many have been purchased and delivered. First reports suggested 26 aircraft and the number later rose to 72.[42] Some talked of a figure close to 100 aircraft.[43] The actual number is significant in assessing the outcome of the deal. While 26 aircraft, which form a squadron, may not alter China's defence posture qualitatively, 72 or more might, depending on whom they are deployed against. One report indicates that the planes will be stationed away from the Sino–Russian border, probably on Hainan Island.[44] Some other sources identified their location as Anhui Province, which is under the control of a PLA Air Force (PLAAF) Division. There is logic in this in that this division has the best safety record in the PLAAF and it is the only division that is equipped entirely with China's best fighters, the J-7s and J-8IIs.

The significance of the Su-27 deal lies less in the unprecedented opportunity it offers the PLA to operate high-technology military equipment. For one thing, pilot training in the PLA will be revolutionized. This will have a lasting impact on the PLA's development of human resources for high-technology war. Since the PLA has never operated any heavy, long-range and electronically sophisticated fighter jets before the purchase, it had only a theoretical understanding of how to handle an attack by fourth generation aircraft. The Su-27 deal has now enabled it to gain first-hand knowledge about high-technology air combat. Moreover, the acquisition serves the air force's strategic needs well in establishing an elite force for limited, regional conflicts.[45] What has been the impact on the regional balance of power? Taiwan and the United States have used the Su-27 sale to justify a massive F-16 deal. Other countries in Asia have also used it as an excuse to purchase advanced Western and Russian aircraft.

Aircraft Carrier Initiative

Talk that China is to build an aircraft carrier has persisted since the mid-1980s. But in 1987 the PLA openly denied the existence of such a plan.[46]

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In recent years, however, China's popular journals have carried an increasing number of articles rationalizing why China should acquire an aircraft carrier, and these have received a warm response from readers countrywide. In March 1993, for the first time, Vice-Admiral Zhang Yuanhai, commissar of the East Sea Fleet, admitted at a news conference that R&D work on a carrier was under way, although construction had not yet begun.[47] Now it is no longer a question of whether China wants to possess a carrier, but what its characteristics will be and when China feels its economy will be strong enough to support such an endeavour.[48]

Despite the top leadership's indecision over plans to build aircraft carriers, R&D for construction has been unveiled since the 1980s. The 708 Institute in Shanghai began feasibility studies in its 600-metre model pool in the early 1980s. Further tests were conducted in Tai Lake in Jiangsu.[49] In April 1987, the NAF conducted the first take-off and landing trials on a simulated deck at a base of the North Sea Fleet. Chinese sources have revealed quite detailed information about the trials. Officer Li Guoqiang successfully piloted a J-8II to take off on the 70 metre-long deck. Using a catapult, pilot Li reached 80 km/h at 20 metres, 110km/h at 30 metres, 160km/h at 40 metres, and 250km/h at 60 metres. Then he landed at the second arrester cable, of which there were four, and continued another 30 metres before coming to a stop. This simulated deck was said to have been modelled on the Australian carrier, *HMAS Melbourne*, which China bought for scrapping. Since then, several dozen pilots have been trained intensively on the deck.[50]

R&D work on carrier operations has accelerated in recent years. In November 1990, a model of China's first generation carrier was displayed at a highly classified weapons exhibition in Beijing. According to information available about the display, the carrier had a displacement of 40,000–50,000 tons, and carried 20 fixed-wing planes on deck and another 20 in a hangar. The deck was more than 70 metres in length and made use of catapults and arrester cables. Reportedly, the Navy plans to establish two battle groups centred on such carriers in the early years of the next decade.[51] As far as the design is concerned, this is a generational leap from the Navy's initial plans which envisaged a light carrier with only short take-off and vertical landing (STOVL) aircraft on board.[52] The Navy reckons that if it had a carrier with 40 aircraft embarked, it could achieve the equivalent combat effectiveness of 200 to 300 coastal-based fighters in air support functions. Furthermore, the sea area under the control of a battle group led by a carrier would be fifty times as large as that composed merely of frigates and destroyers.[53]

Senior PLA staff see the construction of carriers as a major boost in advancing the general level of China's naval technology. Western analysts

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view China's planned first generation of carriers to be of more symbolic significance than any real threat.[54] To the Chinese, however, it represents a prerequisite for achieving blue-water capability. Acknowledging the deficiencies, the Navy has to begin somewhere so that it can develop more sophisticated carriers at a later date.[55]

The Spratlys and Chinese Projection of Naval Power

The 1980s saw the PLAN's power projection capabilities extend to the South China Sea. Clearly, the Navy is charged with the mission of safeguarding China's maritime interests, of which territorial claims are of central importance. In the Spratlys, it involves contingency plans to capture and defend the islands that China claims to be part of its territory.[56] In military terms, this will impose formidable demands, as any action of this nature takes place far away from the mainland. It requires a high level of readiness, including training, organizing task forces, logistic supply and an effective command, control, communications and intelligence (C^3I) apparatus. According to some analysts, technical inadequencies forced the PLAN to confine operations in March 1988 to a few small reefs in the Spratlys because it was not able to sustain a protracted war with Vietnam.[57]

An Enhanced Capability for a Spratlys Conflict

Preparations for a Spratlys conflict has enhanced the capabilities of the Navy's South Sea Fleet (SSF). In the early 1970s, the SSF was the weakest among the three fleets (North, East and South Sea Fleets). But since the 1974 Sino–Vietnamese clash over the Xisha (Paracel) Islands, the fleet has grown in capability, on par with, if not exceeding, the other two fleets. In recent years, two of three *Yukan* class landing ships (LSTs), the newest and largest in the Navy, have been transferred to the SSF. The assignment to the fleet of the first ship of China's new generation destroyers, Zhanjiang, indicates the extent to which naval authorities have recognized the fleet's strategic value. In addition, personnel of all major combatants in the other two fleets have undergone training in the waters around the Spratlys, so as to familiarize themselves with the area.

As far as aircraft are concerned, one technical reason why the PLA opted for the Su-27 over the MiG-29 was that the former was twin-engined and multi-role, which are key factors for survivability over sea.[58] Another reason is the Su-27's longer range which enhances the capacity for interdiction far from coastal bases. Although the distance of about 1,400 kilometres from the fleet's nearest base stretches the Su-27's flight radius to the limit, it can still make a difference compared to the MiG-29, especially when China's in-flight refuelling technology becomes operational.

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The fact that China's only marine brigade is attached to the South Sea Fleet also reflects the PLAN's preparation for flashpoint action rather than a large-scale invasion.[59] This is to say that the brigade is to be used as a commando unit, underscoring the reason why its training has been heavily influenced by the programmes of the U.S. Marines.[60] The brigade stresses high mobility and long-distance independent combat, including island capture and lightning assaults on the enemy's transportation and communication hubs in the rear. One aspect of training has been survivability in various harsh conditions, such as beach assault on remote islands. In recent years, the brigade has undertaken an airborne programme to strengthen its rapid response capability. By the end of 1992, 90 per cent of the marines had passed the test in precise landing within a prescribed water area near a South China Sea island.[61] In the short-to-medium term, it is likely that China will strengthen the marines, as they are now viewed as a vanguard force suitable for dealing with regional conflicts.[62]

The PLAN has launched several military projects in the Paracel Islands and the reefs it occupies in the Spratlys. Yongxing Island (Woody Island), the largest in the Paracels, has become a military fortress with a naval detachment comprising tank units, AA batteries and high-speed missile and patrol boats. There is also a C^3I centre capable of processing satellite-downlinked information, and a runway for fixed-wing aircraft has been constructed.[63] This last has reduced the burden of air coverage for a Spratlys operation from the nearest Yulin Base (on Hainan Island) by several hundred kilometres, thus raising the Navy's rapid response capability for a Spratlys conflict.

Nevertheless, in the near future, the PLAN's capability to cope with a conflict around the Spratlys will be less than clear superiority. Its main surface combatants are vulnerable as they are exposed to close land-based air strikes. In contrast, China's land-based medium-range bombers cannot sustain an over-the-seas operation because of their small numbers. The same can be said for submarine capability. Although most of the parties involved in the Spratlys dispute do not have strong anti-submarine warfare (ASW) capabilities, the activities of Chinese submarines is restricted by their problem of low survivability, as most of them can only stay submerged for a limited period of time. Apart from political constraints on the Chinese, which will be analysed in the next section, these hardware deficiencies of the PLAN have dictated the pattern of Chinese actions in the Spratlys.

Quick Occupation and Limited Firepower

China's construction of an observation station on Yongshu Reef (Fiery Cross) triggered fighting between the navies of China and Vietnam in

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March 1988. From the planning stages of the project, China was bent on avoiding a clash, although preparations for a battle were more than adequate. To the Chinese, the only way to achieve occupation without provoking armed confrontation was to seize the reef before its adversary could respond.[64]

The PLAN's 1988 operation in the Spratlys revealed two aspects through which one might analyse Chinese military planning. First, the seven reefs taken were not claimed by an ASEAN state with whom China wanted to develop good relations. Secondly, each was submerged at high tide so that the Vietnamese would not think that the Chinese would stay permanently, a psychological factor that made quick action possible.[65] Politically, to take a reef claimed by the Vietnamese carried the flavour of "teaching them a lesson", in response to Vietnam's occupation of islets in the Spratlys from 1986.

Chinese geographic survey of Yongshu Reef began in 1987 amid a number of naval exercises in the area. By the end of the year, a naval intelligence ship, *Xiangyanghong 5*, had obtained all the data needed for the occupation and construction of an artificial islet on Yongshu Reef. Escorted by Frigate 552, a detachment was sent to the reef from Yulin Base in February 1988 and took the reef only a few hours before the arrival of Vietnamese forces from a nearby islet. As such, those forces could do nothing other than stand offshore.[66] This short difference in time emphasized what a limited war was all about — careful planning and a quick outcome in order to pre-empt the opponent.

The occupation of Yongshu Reef triggered domino reactions by both sides to support their claims. The Chinese sent a destroyer/frigate battle group to the area to reinforce the seizure. Vietnam also launched a major initiative to occupy the islets in the southern part of the Spratlys, which it had not taken.[67] The battle of 14 March 1988 can be seen as the culmination of this series of actions. Yet, no further shots were fired after 14 March. That the clashes were confined to a manageable level showed the extent to which both sides tried to prevent escalation.[68] Obviously, each viewed seesaw internecine warfare as not being in their best interests. The low-level of firepower used actually served China's purpose of a special kind of limited war, in the setting of the Spratlys: force was not used as a means to eliminate the opponent's capability but rather to buttress China's territorial claims.

Limited Objectives and Tight Command and Control

So, the use of a low volume of firepower and a small number of troops in the Spratlys incident in 1988 reflected the limited tactical objectives sought

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by the Chinese Government as part of its overall political and strategic goals. This can best be characterized as a naval *presence* in military terms, which in turn creates a form of *fait accompli* in legal terms.[69] The PLAN's initiatives in the Spratlys in 1988 were well calculated and executed.[70]

Compared with other countries — Vietnam, Malaysia and the Philippines — China was a latecomer to the Spratlys and has the smallest presence on those islands. By the time China made the first move in 1988, there were only a few reefs still left unoccupied among those islets that are visible at low tide. A foothold in the Spratlys was of strategic importance for China. As China's dependence on foreign trade has deepened, its fleet of over 1,000 merchant ships has traversed the world's oceans and an average of 40 foreign liners called at its ports each day in 1987. A large proportion of Chinese cargo has been carried through the South China Sea.[71] As a semi-enclosed sea linking the Indian and Pacific Oceans, and located between continental Asia and maritime Southeast Asia, the South China Sea includes important sealines of communication.[72] A naval presence in this vital waterway would enhance China's strategic position in the Western Pacific. There are also economic benefits from such a presence. As China will become a net oil importer before the end of the decade, it is believed that the extraction of oil from the seabed of the South China Sea may help lessen the pressure of an energy shortage.[73] But the most urgent need for China to have a foothold in the Spratlys has stemmed from its concern that without a presence in the Spratlys, it would be either excluded from, or marginalized among the various claimants. So, a presence had to be achieved at any cost.

The Chinese may have calculated that, although occupying a few uninhabited reefs subject to overlapping claims would cause regional repercussions, to capture them from other states would have attracted fiercer protests. China, therefore, fine-tuned its options. The scale of any naval action was closely linked to the political and diplomatic efforts to forestall and defuse a regional outcry.[74]

This raises the question of command and control in a low-level regional conflict. According to a PLA strategist:

> Whereas in major wars tactical actions have little influence on the "overall war situation", in small wars, these may achieve strategic objectives. [So] the objective, location, and timing of an action can be so significant that even tactical actions will require a decision by the highest command, including the head of the state. Thus, those in charge of the strategy for a local war campaign may well have to pass over all intermediate levels of command and communicate directly with the tactical units".[75]

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This view is especially borne out by the action China waged in the Spratlys in 1988. Every detail of the occupation, from the survey in 1987 to the action one year later, was first approved by the highest authority in the Party and the PLA. The situation where the first shot was ordered had been prescribed well in advance and commanded, on location, by a Rear-Admiral.[76]

The timing of execution was also decided with great care. The strike was taken on the eve of Sino–Soviet *rapprochement*, which alleviated China's worry about a possible Soviet intervention on the side of Vietnam. The action took place at a time when China's relations with the West had reached a Cold War peak and thus international reaction was deemed to be mild. Added to that was an opportunity offered to China by UNESCO (United Nations Educational, Scientific and Cultural Organization) in 1986 when China was asked to establish a weather observation station in the Spratlys.[77]

The Spratlys: A Dilemma for China's Foreign and Defence Policies

The PLAN's projection of power in the Spratlys contributes to talk of a Chinese threat in the region. In international relations theory, a big country is automatically considered to be a real or potential threat to its smaller neighbours. China's sporadic strong rhetoric regarding sovereignty disputes ingrains a sense of uneasiness in the minds of its smaller neighbours. This concern has also been encouraged by China's strong economic growth and gradual military modernization. Yet, what we hear are always broad generalizations about the threat. There is a gap between perception and reality.[78] While this falls outside the theme of this article, this writer would argue that it is more useful for analysts in the region to provide a concept with substance rather than just perceptions. For instance, they should study empirically under what conditions a Spratlys dispute might be turned into a violent conflict and find ways to prevent this. Perceptions often stand in the way of regional confidence-building and legitimize arms acquisitions.[79] This is especially true in the Asia–Pacific, where there is a lack of security mechanisms and transparency.

Moreover, many China specialists in the West believe that the long-term socio-economic changes in China will undercut the foundation of the authoritarian regime and affect its behaviour in world affairs.[80] This view clashes with another popular view that the "China threat" is a long-term one, as the "giant dragon" is awakening. So, the different perceptions by experts in international relations and by China specialists, show a measure of dichotomy in projecting China's future development.

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There exists a weak link between the study of China's internal "peaceful evolution" and that of its external behaviour.[81] Even in analysing China's defence and foreign policies one has to factor in those constraints that bind China's hands, and those incentives that encourage China to become more interdependent. This contradiction has been clearly demonstrated by China's handling of the Spratlys dispute, which represents a dilemma for China's policy-makers.

With regard to issues of sovereignty, the Chinese Government does not have wide-ranging diplomatic options other than upholding entrenched territorial claims, as indicated by its numerous statements: in short, sovereignty issues are not negotiable.[82] Ever since the first Opium War in 1840, no Chinese Government has been able to stand firm, in the eyes of the Chinese people, if it did not uphold the country's claim on its territories. Territorial claims are central to the efforts of relegitimization of the current Chinese regime now riding high on the surge of nationalism and patriotism. It is in this context that China promulgated an Ocean Law in February 1992 that incorporates the entire Spratlys into the map of China. However, according to Chinese diplomats, the passage of the Law was directed more by internal rather than external considerations. The promulgation was meant not to escalate the disputes but rather to restate China's sovereignty claims already put on the map in 1958.[83] However, this popular irredentist pressure on the Chinese Government does underscore the theory of a *potential* Spratlys conflict.

On the other hand, China has realized that it is not able to act independently in the Spratlys. If it adheres to its economy-in-command foreign policy and accepts the benefits of an interdependent world, it has only one choice: a settlement of the dispute through peaceful means. Therefore, when the Chinese leadership is pressured by two opposing forces, its response is naturally a policy that exhibits a great deal of ambiguity: conciliatory foreign policy efforts *vis-à-vis* a forward naval power projection capability. What makes the Spratlys a potential flashpoint is exactly this ambiguity, which also characterizes the position of the other claimants. The Spratlys is a flashpoint, as the question of sovereignty is non-negotiable because of domestic and economic factors. It is only a *potential* flashpoint, however, as all the claimants are under real constraints that prevent them from taking any drastic action. So this dictates a measure of flexibility in their interactions.[84] Under the circumstances, China seems to bear the primary responsibility not to escalate the dispute, because whilst it is the country with the smallest presence in the Spratlys, it has the greatest capability to enlarge that presence.

Any future settlement of the overlapping claims will be influenced by the direction of China's defence and foreign policies. Here we may have

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two Chinas: a China that is driven by the irredentist impulse and bent on a military solution, and a China that seeks to be fully incorporated into an interdependent world. At the present time China is neither. Its ambiguity over the Spratlys seems to reflect its desire to maintain the *status quo* for some time to come. However, it is at a crossroads and is poised to change.

China's Efforts to Maintain the Status Quo

While China's reluctance to join in regional efforts to increase transparency in defence and security contributes to the perceived China threat, to equate a forward defence strategy with an expansionist military policy may be over-simplifying this vital issue. The difference between the two concepts may be explained by the current pattern of China's actions in the Spratlys: in practical terms, military force is likely to be employed only as a last resort to defend direct threats to Chinese sovereignty or territorial integrity, and not as a means to expand Chinese presence.[85]

With the foothold achieved, any preparation for another Spratlys action is less important in the PLA's overall policy hierarchy, as China moves to improve relations with its neighbours in the changing world of the 1990s. What worries the PLA now is how to obtain a measure of deterrence against the pressure of the big powers. In 1990, Tai Ming Cheung pointed this out before the PLA's strategic shift became evident:

> Although the Spratlys is at present the most important naval priority, it is nevertheless of short-term importance. The longer-term priority is to establish China as a major regional sea power with an expanded sphere of influence. To effectively achieve this, it needs to deter competition from other aspiring naval powers, most significantly from India and Japan, as well as to better meet the challenges of Soviet and US sea power in the region.[86]

In early 1990, several dozen articles in PLA journals argued for a blue-water capability. They inevitably used the Spratlys dispute (mainly with Vietnam) to justify faster naval modernization.[87] However, in 1991, many of the same authors were actually concerned much less with the issue of the Spratlys than with the generally poor state of the Navy. The impression was that if their demand for a strong navy was acceded to, they might not pursue the Spratlys question in the same way. Although this should be treated with caution, such a message is useful for an understanding of the PLA's intentions in the Spratlys. It can make a difference in the process of settling a dispute, peacefully or otherwise, if one is dealing with a navy focused on the recovery of claimed territories, or with one concerned mainly with a general modernization programme.[88]

This brings us to the question of the size of a naval foothold in the

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Spratlys that is deemed to be adequate in serving China's strategic needs in the South China Sea. The declared goal of the Chinese Government is to recover the entire Spratlys group. Yet, in the current world situation, it is increasingly less realistic for China to achieve that goal. Under such a constraint, there is always a fine balance between diplomatic and defence interests. If the Navy acquires an enlarged share of the military budget without having to make a special case for the Spratlys claims, would its forward posture in the Spratlys remain defensive? This is open to speculation but it does constitute precisely the test case of the influence of the Spratlys on the development of China's foreign and defence policies.

It seems that the Chinese military has given a measure of support to the current civilian policy-makers who are emphasizing a negotiated solution to the Spratlys dispute. This is reflected in a public statement by Chinese Defence Minister Chi Haotian that no military force would be used to settle the Spratlys dispute.[89] Since the Sino–Vietnamese clash in 1988, there has not been any further armed clashes in the Spratlys. Most Western and ASEAN analysts agree that a "China threat" is rather a long-term one, although nobody is certain about what "long-term" actually means.[90] A number of factors can be identified to substantiate an argument against a repetition of the 1988 incident in the near future.

The first is the current weakness of the Chinese Navy. Most Western countries regard the Chinese military machine as obsolete and lacking many qualities that can make it a formidable, offensive-oriented force.[91] Even under an ambitious development plan and extensive preparations for regional conflicts, the major weakness of the Chinese Navy, for example, its air force and logistical supply capability, has not been significantly improved since 1988. Any Chinese victory in a debilitating seesaw Spratlys clash would likely be won at a price that the PLA would deem exorbitant, especially when it increasingly focuses its attention on strategic matters such as Sino–U.S. relations.

Secondly, the political and diplomatic pressure brought to bear on China in its power projection has magnified considerably since 1989. China's relationship with the West has been seriously eroded, not only because of the Tiananmen tragedy but also because of the loss of its strategic role in opposing the Soviet Union. So, the favourable conditions under which China initiated the 1988 takeover of the Fiery Cross Reef no longer exist.[92]

Thirdly, Vietnam's relations with both Western countries and the ASEAN states are improving. China will need to endure higher costs if it repeats an attack on Vietnam. Also, Sino–Vietnamese relations have improved qualitatively. In the successive summit meetings between the two countries since 1990 the issue of sovereignty over the Spratlys has not

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presented a serious obstacle to the overall improvement of bilateral ties. It was made subject to other more immediate concerns troubling two of the world's remaining socialist regimes.[93] In fact, the Sino–Vietnamese territorial disputes on land have traditionally been a stronger irritant than the maritime ones, and have caused more military clashes in the recent past. The latest Sino–Vietnamese agreement (in December 1994) on settling the Spratlys dispute through peaceful means has significantly softened China's differentiated Spratlys policies towards Vietnam and ASEAN.

Fourthly, the collective security arrangements that some of the Spratlys claimants have entered into with outside powers have served as another deterrent to China's Spratlys calculations.[94] The annual naval exercises of Australia, Malaysia, Singapore and Indonesia would also affect China's plans in the South China Sea. A major confrontation would definitely induce intervention from major powers. Japan would be tempted to safeguard the commercial shipping routes. The prospects of sanctions loom large enough to caution China against instigating a major move.

Fifthly, the possibility of China seizing by force islands occupied by Malaysia and the Philippines has never been high, notwithstanding the February 1995 disclosure of Chinese structures on Mischief Reef, claimed by the Philippines. This has been particularly true since 1989, when China's needs at improving relations with ASEAN became magnified. Indeed, the improvement of Sino–ASEAN relations has helped bring China into the ASEAN-centred security dialogue, the ASEAN Regional Forum (ARF), which in turn has helped reduce tensions over the Spratlys. A senior PLA officer revealed that when discussing the possibility of purchasing a Russian aircraft carrier, the PLA had to consider the political impact on Sino–ASEAN relations.[95] The following initiatives testify to the fact that China has placed the need to improve its relations with ASEAN as a higher policy priority than the recovery of the Spratlys.[96]

1. In the last three years, each of the heads of state, government and the military of the ASEAN countries and Vietnam has visited China. China's President and Premier have also toured Southeast Asia. These visits have promoted mutual understanding and confidence-building. The most recent examples are the visits by President Ramos and Prime Minister Mahathir to China in 1993. In concluding their trips, each remarked in Beijing that they were personally reassured that China would not use its growing economic and military clout to bully other Asian countries.[97]
2. China has been invited to participate in a number of ASEAN-sponsored meetings, including the ARF. These provide multinational forums for dialogue seeking to reduce tension generated by the Spratlys dispute.

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Although China agrees to talk on the issue bilaterally, and multilaterally only with the disputants, the fact that it has taken part in a setting in which it has to answer to a joint ASEAN voice has revealed a measure of elasticity in China's present approach.

3. The improved Sino–ASEAN relationship has been enhanced by co-operation in countering the Western human rights offensive. The last few years have seen repeated ASEAN efforts in United Nations fora to shelve Western-sponsored bills on China's human rights record. In response, the Chinese President conveyed his special thanks to the visiting Indonesian Vice-President Sudharmono in 1992.[98] In return, China swung its support behind Indonesia's handling of the East Timor crisis. China was also supportive of the Bangkok Human Rights Declaration of March 1993. This tacit united front by the Asian countries to campaign for an Asian concept of human rights has served China well in resisting Western pressures. It is unlikely that China wants to respond by escalating its claims to the Spratlys.
4. The heart of the post-Cold War world order is economic development. Ironically, this new order has stimulated economic regionalism, as indicated by the emerging G-3 economic blocs in Europe, North America and East Asia. China is vulnerable in this regionally-based trade constellation, since its economic take-off is dependent on exports to markets outside of the region and on imports of high-technology goods from the West. Closer trade links with ASEAN help offset a degree of pressure on China from rising international protectionism. In addition to political motivations, economic concerns have also played a role in China's support for Dr Mahathir's concept of the East Asia Economic Caucus.[99] One clear example of China's growing economic stake in Southeast Asia is the recent Sino–Indonesian agreement to build two giant petro-chemical plants in Indonesia. With an investment of US$3 billion, this is by far the largest Chinese overseas joint venture.[100] There is no doubt that such closer economic co-operation has helped to alleviate tensions in the Spratlys.[101]

The PLA and the Future of the Spratlys

The PLA has a key role to play in this balancing of China's international and domestic needs. And its role will become even more decisive in the post-Deng era, when the weak civilian leadership will have to be more mindful of military interests in the formulation of foreign policy. This is one of the reasons why China is at a juncture: the contradiction between the continuation of the economy-in-command policy (the emphasis on an interdependent China) and the insistence on an obsolete concept of

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realpolitik may come to a head when Deng Xiaoping — China's architect of the open-door reforms — is gone. There are signs that the PLA is becoming increasingly impatient with its low priority in China's "four modernizations" programme. If the post-Deng PLA is more inclined to embrace a hardline alternative, as a response to domestic and international pressure,[102] a *potential* conflict in the Spratlys will remain as a haunting possibility.

A national defence strategy is based on a national defence culture. China's defence culture is firmly built on the nation's historic desire to become economically wealthy and militarily powerful. This desire is often interwoven with popular irredentist sentiments. When the state is pressured externally, these sentiments can be easily aroused, as the people are constantly reminded of their humiliating past.[103] An effective national defence may not even need aircraft carrier battle groups nor tactical nuclear weapons in the post-Cold War world. However, when some citizens recently suggested that everyone in the country donate a few *yuan* to the Navy to build an aircraft carrier, the proposal was warmly received by a people still struggling to move out of a subsistence economy.[104] The discord between China's diplomatic efforts to defuse sovereignty quarrels, and the push by PLA planners to acquire more advanced weaponry does not worry the Chinese people who are more concerned with the country's low level of military technology and budget. China's defence culture is thus at odds with the general trend of global interdependence, which means not only increased trade flows but also discounting the Victorian value of sovereignty.[105]

Since the Party's 14th National Congress in 1992, the PLA has increased its influence as a corporate interest in national politics. The final stage of political succession in China has elevated a number of military leaders to the core of the post-Deng leadership. This group of PLA leaders, led by Admiral Liu Huaqing and General Zhang Zhen, is well known for its advocacy of a powerful and professional army. It is they who have campaigned for the concept of effective deterrence in general, and a blue-water navy, in particular.[106] Thanks to the Gulf War and American pressure, since the 14th Congress Liu has successfully achieved consensus among the military top brass to concentrate on the development of high-technology weaponry. Based on this strategic shift, he has been fairly successful in uniting a faction-ridden PLA, much as he did within the Navy in the early 1980s. Under new leadership, it can be expected that the PLA will push ahead with forward defence and, to this end, quicken its modernization of hardware. In terms of organizational analysis, professional and well-equipped armed forces are more awesome than those which are revolutionized and politicized in any international conflict.

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The current strategy of the PLA is to modernize its weapons so as to narrow the gap with the West. And China's vibrant economy seems to make it more affordable than before. A senior PLA officer stated clearly that it was against logic everywhere in the world that a large country should become an economic power in the twenty-first century but leave its military capability behind in the twentieth century.[107] Although the concern with the big powers may require that the PLA puts aside some of its specific regional focuses such as the Spratlys, the long-term spillover of this attempt at catching-up militarily with the big powers might contribute to a regional arms race, even if it is not the intention of the PLA. The Spratlys remain a potential flashpoint exactly because the current military build-up by the claimants produces a great deal of uncertainty. In the long run, the PLA's identification of the big powers as a benchmark target for military modernization might better enable it to flex its muscles in a regional conflict, should a need to do so arise.

An Assessment of the Spratlys Conflict in the Short-to-Medium Term

The previous sections have analysed factors, both conducive and detrimental, to a peaceful settlement of the Spratlys dispute. Generally speaking, the positive factors now seem to prevail over negative ones. The existing fora, such as the ARF and the Indonesian-sponsored Spratlys workshops, have helped to ease tensions among the claimants. Based on a number of complex international and domestic factors, this article argues that the next few years might offer the regional countries a good opportunity to establish an institutionalized framework for dispute resolution in the Spratlys.

China will consolidate its current presence and may be tempted to take a few more uninhabited reefs. Technically, however, it is difficult for it to initiate any major occupation in the Spratlys. All the inhabitable islets are not amenable to the tactics used by the PLA in 1988, namely, taking an uninhabited islet and passively defending it. In other words, the prospects of a PLA attack on islands already occupied by other claimants remain very low.

While the Spratlys will remain a flashpoint so long as there is no agreement among the disputants, China has accepted the *status quo*, although reluctantly. To a degree, China is more concerned with dignity in a general sense than the geographic definition of precise borders.[108] In diplomatic terms, the "China threat" in the short-to-medium term has been more than offset by China's military weakness and by its willingness to benefit from interdependent world trade. Indeed, an interdependent China will create a web of powerful economic interests exerting pressure

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for a peaceful solution to international disputes so that they might continue their economic gains.

One positive sign for an acceptable Spratlys solution is that China has proposed both to shelve the issue of sovereignty and to extract mineral resources in the area jointly with the other claimants. Although there are many technical problems in translating the proposal into reality, there is sincerity in China's intention not to allow a military conflict to destabilize the present delicate equilibrium in the Spratlys. And there does exist some common ground from which the claimants can proceed to work out a formula, at least for crisis avoidance. If such a framework can be created in the near future, it will substantially reduce the potential for conflict. Should any party violate the rules of the game, it would have to pay a high price.

In the meantime, the world community can help China embark on the right path from this crossroad. One way it can do this is perhaps to be more patient with China's internal changes. After all, a peaceful evolution towards democracy is the best guarantee for the security of China and the region as a whole. But only an appropriate level of outside pressure can achieve a desirable result and encourage a rational response from China's leadership.

An important task now facing the Asia–Pacific region is how to engage China in ongoing regional security dialogues. Much of the arms build-up in Asia has been unleashed by the lack of security transparency. More armaments, however, will not enhance security in the region. Now with Sino–Vietnamese *rapprochement* and a closer Sino–ASEAN political and economic relationship, the region has for the first time in many decades been left without any imminent external threat.[109] Yet, without the development of a sound regional security framework, deliberate or unintentional misperceptions might give rise to a vicious cycle of arms build-up in the Asia–Pacific. The consequences of this would be insecurity for all. This mixture of opportunities and challenges is what the Asia–Pacific has to handle with respect to the Spratlys. For the sake of regional security, it seems that the only way out is to create a regional security framework that can dilute any possible eruption of conflict. Undoubtedly, the way to lead us there has to be one of common sense and patience.

NOTES

1. Bilveer Singh, "The Challenge of the Security Environment in Southeast Asia in the post-Cold War", *Australian Journal of International Affairs*, no. 2 (1993), p. 273.

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2. The shift has been brewed for a number of years with the Gulf War as the key catalyst. The chief advocates for the strategic change are Admiral Liu Huaqing and General Zhang Zhen. They have won support from Deng and the majority of the PLA's generals. In fact, the change has been the banner of the new PLA leadership since the 14th National Party Congress in 1992. In the winter of that year, the Central Military Commission (CMC) formally adopted the change. Since then, Liu and Zhang have vigorously pushed ahead for a high-tech oriented military strategy, summarized by Liu as "catering for contemporary warfare". China Central Television, 7 November 1993. As the new strategy has affected all aspects of the PLA's development, Zhang Zhen, the second in command in the PLA, called for "five breakthroughs" in the PLA's military thinking, tactics, training, R&D, and organization. See Liang Minglun, "The basic traits of our combined operations under the condition of high-tech conventional and limited wars", *Journal of the PLA University of National Defence*, no. 1 (1993), p. 42.
3. Lieutenant General Zheng Wenhan, "Speech at the Conference on the Priorities of the PLA's Development", *Study of the Development of the Standing Army in the New Era*, edited by the Academy of Military Science (Beijing: The Academy of Military Science Press, 1990), p. 8.
4. Ellis Joffe, "People's War under Modern Conditions: A Doctrine for Modern War", *China Quarterly*, no. 112 (December 1987) pp. 556–71.
5. This was Deng's calculation in the early 1980s, that a world war would not erupt, as both superpowers were locked in a deadly arms race. He instructed the PLA to refrain from demanding larger financial resources, *rennai*. The Central Military Commission formally endorsed Deng's decision in 1985. Li Cheng et al. *The 100 Major Events in the History of the PLA Since 1949* (Beijing: Zhisin chubanshe, 1992), p. 288.
6. Lieutenant General Qian Diqian, "Production must serve military training", *Military Economics*, no. 2 (1989), p. 21.
7. See, for instance, Deng Xiaoping, *The Selected Works of Deng Xiaoping*, vol. 3 (Beijing: Renmin chubanshe, 1993).
8. Qimao Chen, "New Approaches in China's Foreign Policy", *Asian Survey*, no. 3 (1993), p. 238.
9. "China and the World in the 1990s", *Journal of the PLA University of National Defence*, no. 3–4 (1993), p. 45.
10. Since 1991, hundreds of research papers have appeared in PLA journals that presumably place the PLA in a Gulf War position against a high-technology offensive.
11. The CMC required all the military regions and services to intensify training for a high-technology warfare, particularly for the ranking officers above division/brigade level. For instance, Nanjing Military Region launched an intensive training programme in July 1993 (Chinese Central Television, 30 July 1993); the Air Force staged a similar programme (see *People's Daily*, 2 August 1993).
12. He Wenlong, "On the Counter Measures to Win a High-tech Regional War", *Journal of the PLA University of National Defence*, no. 1 (1993), p. 63.
13. Yao Zhenyu, "The Guiding Principle for Our Army's Weapons Programmes", *Journal of the PLA University of National Defence*, no. 7–8 (1993), p. 29.
14. Li Liang, "On the Weapons Development Strategy to the Year 2000", *The Study of the PLA's Modernization*, edited by PLA University of National Defence (Beijing: PLA University of National Defence, 1988), pp. 202–4.
15. "China and the World in the 1990s", p. 45. In a report to the Central Advisory Commission of the CCP in late 1992, Jiang Zemin talked in gloomy terms about the "new situation" in Taiwan and outlined strong counter measures.

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16. Other factors that have contributed to the rise of PLAN include the personnel arrangements at the top party and military leadership. Former naval chief Liu Huaqing has become the first professional soldier since Lin Biao to sit on the Standing Committee of the Politburo. Admiral Li Jing, a former deputy naval commander, has become a senior deputy chief of General Staff. General He Pengfei, son of late Marshal He Long and former head of the PLA's Equipment Department, was appointed deputy commander of the Navy. They are very influential in the PLA.
17. *Contemporary Monthly*, no. 5 (1993), p. 73.
18. *Jianchuan zhishi* [Naval and Merchant Ships], no. 11 (1991), p. 2.
19. A proper translation of the Chinese word *jihai* is the term "green water". According to Bradley Hahn, the term is used to express a naval capability somewhere between "brown water" (coastal defence) and "blue-water" (full open-ocean fleet). See "Hai Fang", *US Naval Institute Proceedings*, March 1986, p. 116. This article argues that a "green water" power is not the Navy's goal. All its efforts point to the direction of becoming a blue-water power.
20. Li Dexin et al., "Balanced Development is the Prominent Task for the Navy in the New Era", *Study of the Development of the Standing Army in the New Era*, edited by Academy of Military Science, p. 221.
21. The second island chain lies a few hundred nautical miles east of the first island chain and more than 1,000 nautical miles away from continental China. See Lu Rucun et al., eds., *The Contemporary Chinese Navy* (Beijing: Zhongguo shehui kexue chupanshe, 1987), p. 477.
22. Huang Caihong, "The PLA Navy's Development Strategy", *Jianchuan zhishi*, no. 4 (1989), p. 2.
23. Wang Dongpo, "The Strategic Rivalry in the West Pacific and Our Security Development", *Xin Yiazhou* (New Asia), no. 1 (1990), p. 115.
24. Li Dexin et al., op. cit., p. 227.
25. Xu Shirning, "The Status and Role of the Navy in a Limited War", *Limited War: Yesterday, Today and Tomorrow*, edited by Huang Yuzhang (Beijing: PLA University of National Defence Press, 1988), pp. 417–44.
26. Shi Fei, *The General Developmental Trend of the Chinese Military* (Chengdu: Sichuan kexue chubanshe, 1993), pp. 1–27.
27. Xiao Jun, "Priority and Balance", *Jianchuan zhishi*, no. 11 (1989), pp. 2–4.
28. Wang Ziqiang, "The Key Questions Concerning Naval Development in the New Era", in *The Study of the PLA's Modernization*, pp. 375–89.
29. Cheng Shoukang, "Our Country Must Have an Offshore Defence Navy", in ibid., pp. 390–92.
30. Xiao Jun, op. cit., p. 24.
31. *Jianchuan zhishi*, no. 8 (1991), p. 2.
32. George Galdorrisi, "China's PLAN", *US Naval Institute, Proceedings* (March 1989), p. 103.
33. Ngok Lee, *China's Defence Modernization and Military Leadership* (Sydney: Australian National University Press, 1989), p. 70.
34. For a detailed analysis of the weakness of *Luda* class destroyers, see G. Jacobs, "Chinese Navy Destroyer Dalian", *Navy International*, no. 9–10 (1992), pp. 263–64.
35. "New Ships for the PLAN", *Jane's Defence Weekly*, 18 January 1992, p. 88.
36. *Jianchuan zhishi*, no. 3 (1988), p. 32.
37. *Wide Angle* (Hong Kong), no. 11 (1989), pp. 70–83.
38. *Jane's Defence Weekly*, 11 April 1992.

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39. It has been proposed that the number of J-6s should be halved over a short period of time. The money saved should fund the R&D of the new generation of attack aircraft. See Zhang Cangzhi, "On the Transformation of our Air Force from Defensive Oriented to a Combination of Defensive and Offensive Oriented", in *Study of the Development of the Standing Army in the New Era*, edited by Academy of Military Science, p. 245.
40. Wang Yamin, "Several Questions Concerning the Modernization of Weapons", in *The Study of the PLA's Modernization*, edited by the PLA University of National Defence, pp. 187–95.
41. Huang Caihuang, "The Evolution of the NAF Entered a New Stage", *Jianchuan zhishi*, no. 2 (1989), p. 3. Among these new types are the F-9 and F-11. The successful flight test of the F-9 was reportedly carried out in October 1991. Bin Yu, "Sino–Russian Military Relations: Implications for Asian-Pacific Security", *Asian Survey*, no. 3 (1993), p. 305. H-8, a supersonic bomber is also to become operational in 1996 and Chinese sources have revealed that the R&D for a type of indigenous aircraft carrier is well under way.
42. See, for instance, Desmond Ball, "China's Disturbing Arms Buildup", *Independent Monthly* (February 1993), pp. 23–24.
43. Derek da Cunha, "Russian Weapons for Sale — Cheap", *Straits Times* (Singapore), 16 November 1992.
44. "Changing Air Power Doctrines of Regional Military Powers", *Asian Defence Journal*, no. 3 (1993), p. 43.
45. There are problems with the deal, however. For instance, the training of the pilots has not been smooth. It may take years for the PLA to resolve the question of spare parts, infrastructure and other "software" associated with the craft.
46. In a conference held at the Australian National University in December 1993, a senior PLA officer revealed that the Chinese leadership had decided not to go ahead with the plan to build aircraft carriers. However, we do not know whether this is a decision to cover only a limited period of time, or a decision to put the construction on permanent hold. Most analysts tend to believe that the former is the case.
47. *United Daily News*, 15 March 1993. A Chinese naval officer revealed to a Chinese newspaper that the construction had actually begun in the Shanghai Ship Building Factory. *Zhongguo gongshang shibao* [The Chinese Industrial and Commercial Times], 14 November 1992.
48. However, given the long process of constructing a carrier, this prediction is subject to many unexpected factors that may torpedo the project. Moreover, China is under diplomatic pressure from some Asian countries to abort the plan. Japan, for instance, has linked its soft loans to China to such a plan.
49. Ye Zhi, "Come, the Aircraft Carriers", *Junshi jingjixue* [The Military Economics], no. 1 (1989), pp. 4–6.
50. Shi Fei, op. cit., pp. 2–22.
51. Ibid., pp. 12–13.
52. Ye Zhi, op. cit., p. 5.
53. *Foreign Broadcast Information Service* (FBIS) CHI-90-106, 1 June 1990, p. 30.
54. If a carrier is used in the Spratlys conflict, it would be quite vulnerable to attacks by MiG-29s based in East Malaysia. Moreover, the shallow waters around the Spratlys are not propitious for a carrier and its supporting vessels. See Sheldon Simon, "Regional Issues in Southeast Asian Security" (Paper prepared for the conference on "Enhancing Security in Southeast Asia", Canberra, 5–6 April 1993), p. 9.
55. Information gathered from an interview with a naval researcher in Beijing in 1992.
56. Xiao Jun, "Priority and Balance", pp. 2–4.

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57. Marko Milivojevic, "The Spratly and Paracel Islands Conflict", *Survival*, January–February 1989.
58. "Changing Air Power Doctrines of Regional Military Power", p. 45.
59. *New China News Agency*, 7 June 1987.
60. *Wide Angle*, no. 1 (1993), p. 53.
61. *PLA Daily*, 26 March 1993.
62. *People's Daily*, 7 June 1987.
63. Andrew Mack and Desmond Ball, "The Military Buildup in the Asia-Pacific", *Pacific Review* 5, no. 3 (1992): 200.
64. China started the construction in Yongshu Reef in February 1988 without a fight. But a naval reinforcement was standing by the reef at all times. See *Jianchuan zhishi*, no. 8 (1992), p. 6.
65. The action broke out at Johnson Reef one month after the Chinese occupation when the Vietnamese saw the Chinese building the reef into an artificial islet and realized that the PLA would stay.
66. For a fairly detailed description of the 14 March incident, see Shigeo Hiramatsu, "The Chinese Navy's Advance into the South China Sea", *National Defence* (Japan), no. 1 (1992), pp. 22–28.
67. Ibid, p. 26.
68. Sha Li and Min Li, *The Nine Overseas Missions of the PLA, since 1949* (Sichuan: Literary Publishing House, 1992), pp. 7–27.
69. However, Article 60 of the Law of the Sea regulates than an artificial islet, its facilities and constructions do not possess the legal status of an island and thus provide no legal ground for the claim of territorial waters, exclusive economic zones and shelves. For the Chinese, the occupation of these islets was based on a historical claim, but more importantly, it served a strategic purpose.
70. For a good analysis of the rationale of the Chinese action, see Michael Leifer, "The Maritime Region and Regional Security in East Asia", *Pacific Review* 4, no. 2 (1991): 130–32.
71. *People's Daily*, 7 October 1988.
72. Quoted from Rizal Sukma, "Indonesia and the South China Sea: Interests and Policies", *Indonesia Quarterly* 20, no. 4 (1992): 403.
73. John Garver, "China's Push through the South China Sea: The Interaction of Bureaucratic and National Interests", *China Quarterly*, no. 133 (March 1993), p. 1023.
74. The PRC's diplomatic history is full of such examples. The Sino–Indian conflict was a typical one. Immediately after the Spratlys clash in 1988, a spokesman of the Ministry of Foreign Affairs sought to scale down the significance of the incident.
75. Cited from Paul Godwin, "Chinese Defence Policy and Military Strategy in the 1990s", in *China's Economic Dilemmas in the 1990s*, edited by the Joint Economic Committee, Congress of the United States (Boulder: Westview, 1991), p. 657.
76. Sha Li and Min Li, op. cit., pp. 7–27.
77. Shigeo Hiramatsu, op. cit., pp. 24–26.
78. For a good analysis against such a concept, see Gary Klintworth, "Greater China and Global Regional Security", in *China as a Great Power in the Asia–Pacific: Myths, Realities and Challenges*, edited by Stuart Harris (Melbourne: Longman-Cheshire, 1994).
79. For instance, there is a debate on what constitutes the motivation for the current arms build-up in Southeast Asia. Amitav Acharya stated in his seminar at the Australian National University in April 1993 that the arms build-up in Southeast Asia had little to do with the Spratlys. It was mainly driven by internal factors.

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80. See, for instance, Harry Harding"China at the Crossroads: Conservatism, Reform and Decay", *Adelphi Paper* 275 (1992), pp. 36–48.
81. Certainly, there are many China specialists who hold a pessimistic view on China's long-term development, given its weak legality, lack of commitment to democracy on the part of a large number of people, corrupt government and the last stage of political succession.
82. Deng Xiaoping's position on Hong Kong provides a good basis for his position on the Spratlys.
83. *Straits Times*, 2 July 1992.
84. As far as China is concerned, this flexibility is reflected in its proposal to shelve the issue of sovereignty for the time being.
85. Bonnie Glaser, "China's Security Perceptions", *Asian Survey*, no. 3 (1993), p. 268.
86. Tai Ming Cheung, *Growth of Chinese Naval Power*, Pacific Strategic Papers No. 1 (Singapore: Institute of Southeast Asian Studies, 1991), p. 9.
87. See You Ji and You Xu, "In Search of Blue Water Power: The PLA Navy's Maritime Survey in the 1990s", *Pacific Review*, no. 2 (1991), pp. 137–49.
88. This argument may be speculative but it is plausible. Since the early 1990s, the PLA has been forced to cope with domestic problems following 4 June and then the effects of the Gulf War, as expressed in the formation of a high-technology strategy. Since 1990, there has been a visible decline of the Navy's exercises in the South China Sea.
89. The statement was made when he visited Malaysia in May 1993. Voice of America (VOA), 25 May 1993.
90. Even immediately after the 14 March 1988 incident, a prominent American diplomat predicted that the Spratlys threat was remote to ASEAN. See John Holdridge, "Threat to ASEAN Remote", *Pacific Defence Reporter*, March 1988, p. 25. This was also the prevailing view of the participants of the Canberra conference on "Enhancing Security in Southeast Asia", May 1993.
91. For instance, the Japanese Government spokesman, Sadaaki Numata, expressed the view that China's military build-up has not come to the point of being a destabilizing factor in this part of the world. See *Japan Economic Newswire*, 30 March 1993.
92. The United States will surely oppose a drastic Chinese action in the Spratlys. As pointed out by Harry Harding, the American sympathy will be with other claimants, including Vietnam if China repeats a 1988 initiative. *Worldnet* (USIS), 26 October 1993.
93. According to a naval officer from the South Sea Fleet, the preparation for the Spratlys move in 1988 had included a number of contingency plans for a possible Soviet intervention. Interview with him in 1992. He, however, refused to comment on how the Navy would handle American intervention should a conflict erupt between China and other claimants (excluding Vietnam).
94. Information gathered from Chinese diplomats in Australia.
95. "The Chinese Military Threat: A Myth or a Reality", *Bauhinia Magazine*, no. 8 (1993), p. 74.
96. Foreign Minister Qian Qichen on Sino–ASEAN relations. *Beijing Review*, 3–9 August 1992, p. 4.
97. *Reuters*, 29 April 1993; and *Reuters*, 25 June 1993.
98. *New China News*, 11 April 1992.
99. *People's Daily*, 3 February 1992.
100. "China Report", *VOA*, 4 May 1993.
101. There is no doubt that the ASEAN countries have also appreciated the need for a closer economic relationship with China for similar reasons. This underscores their changing attitudes towards China. *The Economist*, 10 July 1993, p. 18.

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102. At the height of the *Yinhe* Incident, 180 senior PLA generals, from the national Defence Minister downwards, reportedly sent a note on 8 September 1993 to the party leadership expressing their displeasure at the U.S. inspection and demanded appropriate countermeasures to be taken against the hegemonist act. In response, Jiang Zemin proposed to accelerate the development of advanced weapons systems on the basis of the increased comprehensive national power. *Ching Pao Monthly*, no. 10 (1993), p. 54. Now with the collapse of the former triangular relations, the dominant PLA view of the new world order is that China should no longer rely on playing big powers against big powers but develop its own power to win respect. Huang Hanbiao, "Facing the Challenge, Make Rational Counter Measures and Strengthen Ourselves", *Journal of the PLA University of National Defence*, no. 2 (1993), p. 24.
103. It is difficult to measure how much appeal Chen Xitong, the mayor of Beijing, made to the population when he addressed the crowds emotionally in Beijing Airport after returning from a failed mission for the Olympic bid. I personally experienced a highly-charged nationalist audience in Beijing University in November 1992 when Professor Xiao Weiyun "explained" why Mr Patten put forward his plan for political reform in Hong Kong.
104. The Navy has received numerous donations from retired workers, primary school pupils and university teachers. *Zhongguo gongshang shibao* [The Chinese Industrial and Commercial Times], 11 November 1992.
105. Gerald Segal, "The Challenges to Chinese Foreign Policy" (Paper presented at the workshop on "Change in Northeast Asia: International Implications for the 1990s", Australian National University, February 1990), p. 6.
106. Cheng Shoukang, "Our Country Needs an Offshore Type Navy", in *The Study of the PLA Modernization*, p. 392.
107. "The Chinese Military Threat: A Myth or a Reality", p. 74.
108. "Report from the Australian-Asian Perception Project" (Paper presented at the conference on "Enhancing Security in Southeast Asia", May 1993), p. 9.
109. Gary Klintworth, "Asia-Pacific: More Security, Less Uncertainty, New Opportunities", *Pacific Review* 5, no. 3 (1992): 221–31.

You Ji is a lecturer at the Department of Political Science, University of Canterbury, New Zealand.

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The ASEAN Triad: National Interest, Consensus-Seeking, and Economic Co-operation

BILSON KURUS

AFTA represents the most visible test of ASEAN's resolve on the question of economic co-operation. While ASEAN's past experience in economic co-operation has not been very encouraging, the changing regional and global environment brings with it the added imperative that the future of ASEAN itself may be irrevocably linked to the success of AFTA. The ability of the ASEAN states to reconcile conflicting interests and motivation with the need for a more pragmatic and proactive approach is now, more than ever before, being put to the test. Recent developments vis-à-vis AFTA suggest that ASEAN is moving in the right direction.

Introduction

The signing of the ASEAN Free Trade Area (AFTA) Agreement at the Fourth ASEAN Summit in Singapore in January 1992 once again propelled the ever-slowly achieved economic co-operation objectives of the Association of Southeast Asian Nations (ASEAN) to the forefront. AFTA is significant in that, when fully implemented, it will see tariffs on goods traded within the 300-plus million ASEAN market reduced to a minimum of 0–5 per cent. Yet, if the experience of past ASEAN economic co-operation initiatives is any guide, the prospect for the successful implementation of AFTA is not too encouraging. Up to this point in time, the earlier initiatives have had only minimal effects on intra-ASEAN trade flows. However, extrapolating the eventual outcome of AFTA solely on the basis of the past is to ignore two fundamental factors that will play an equally vital, if not deciding role, in determining the future of intra-ASEAN economic co-operation and of the Association itself.

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First, AFTA was brought about and is currently being implemented in a drastically changed, and still changing, regional as well as global political and economic environment. The end of the Cold War has helped to shift ASEAN's focus beyond the long brewing Cambodian conflict into other inter- and extra-regional issues, including economic co-operation. Secondly, the signing of AFTA must be viewed as the next logical stage in the continuing, even if slow "ASEANization" process in the region. Central to this process is the overriding requisite that *each and every action taken in the name of ASEAN must either contribute to or be neutral, but not detract from, the perceived national interests of the individual ASEAN member states.* This process operates under the purview of *musyawarah dan muafakat* (to engage in discussions or deliberations leading to consensus), which has engendered what can only be called the "consensus-driver rationality" of the ASEAN decision-making process.

Together, these two factors are creating a sort of "push and pull" dynamic within ASEAN on the economic co-operation front. On the one side, the realignments of regional political actors and events, so to speak, have had the effect of shifting the bulk of the region's attention to the economic arena. On the other hand, the ASEAN *modus operandi* has, and continues to facilitate the reluctance of the ASEAN states to forgo national interest considerations (real or perceived) in favour of broader regional interest. The question then arises, will these two factors influence the future direction of intra-ASEAN economic co-operation and of ASEAN itself and, if so, how will they likely do so? To deal with this key issue, the decision-making process of ASEAN will be scrutinized in terms of: a) how consensual decision-making allows a particular ASEAN member to play a leading role in shaping the direction that ASEAN takes, and b) its impact on the overall pace of intra-ASEAN economic co-operation.

The ASEAN Way to Consensus

The insightful observation of a journalist covering the First ASEAN Summit in Bali in 1976 is instructive of the intricate nuances of the ASEAN decision-making process: "The search for consensus before the summit rather than at the summit; the signing of the Treaty of Amity, not merely its words; the cordiality of numerous bilateral as well as multilateral contacts before and during the summit; the assertion of concord — all these added up collectively to a solidifying of the spirit of togetherness that had originally brought ASEAN together in 1967, and had sustained it over eight difficult years."[1] This observation underlines the strong concern among the ASEAN states to project an outward appearance of solidarity and

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cohesiveness. It illustrates that rather than decisive on-the-spot decision-making, ASEAN prefers a more gradual and incremental approach.

In practice, making decisions through the process of *musyawarah dan muafakat* usually entails three things. First, the decision-making process will be a protracted and time-consuming one. Secondly, the decision arrived at will be based upon the lowest common denominator. This particular arrangement implies that the preference of the state that stands to benefit the least from any given activity will serve as the basis for the group's decision. The "frontline" state practice, whereby the most threatened state is supported and allowed to take the lead, is one manifestation of the lowest common denominator arrangement. Another variation was then Prime Minister Lee Kuan Yew's "five-minus-one" formula (reconfigured to "six-minus-one when Brunei joined ASEAN), which allows the other member states to proceed with a project even if one member state decides not to participate.[2] Finally, the issues brought to the discussion table will likely be those that every member state can agree upon. Consequently, controversial issues tend to be shelved rather than confronted for fear of disrupting cohesiveness and unity.

It should be emphasized that while the ASEAN decision-making process may be slow and cumbersome to some, it has long been a quintessential aspect of the Association, and for good reasons. In the first place, the diversity of the ASEAN states essentially dictates that ASEAN operates on the basis of consensus. To have done otherwise would have practically assured the "death" of ASEAN as a regional organization even before it had started. The need to balance regional priorities with five (Brunei became a member in 1984) individual national priorities makes decision-making other than by consensus an unlikely proposition. Furthermore, consensual decision-making and all that that entails is justified or rationalized as the "Southeast Asian way". It is part and parcel of the perceived need to "save face" whereby one ought to be afforded the opportunities to present and/or withdraw one's views in a graceful and non-confrontational manner.[3] Thus, while making decisions by consensus is by no means unique to Southeast Asia, in the context of ASEAN, it is of crucial importance.

The National Interest Equation

In practice, the lowest common denominator imperative means that ASEAN can only move as fast as its slowest member. The particular position that a member state takes on any given issue is first and foremost influenced by its own interests and motivations. An early and clear illustration of this can be seen by the reactions of the ASEAN states to Malaysia

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when it first presented its neutralization proposal (the Zone of Peace, Freedom and Neutrality or ZOPFAN) in 1971.

Initially, the underlying purpose of the proposal was to place the region's dealings with the People's Republic of China (PRC) on a sound intergovernmental footing and, by extension, implicitly legitimize the regional role of the PRC in Southeast Asia. While Malaysia presented its proposal in the context of a changing balance of extra-regional influence and portrayed it as a vehicle which would serve to promote an alternative and acceptable regional order, it was also an indirect attempt by the Malaysian political leadership (then confronted with insurgency from the predominantly ethnic Chinese Malayan Communist Party) to demonstrate to its sizeable Chinese population that its legitimacy was recognized by the PRC.[4] As it turned out, what eventually emerged was a declaration to "secure the recognition of and respect for Southeast Asia as a Zone of Peace, Freedom and Neutrality".

Indonesia, ASEAN's *de facto* leader, was reluctant to deal directly with Beijing in a way which might suggest that the PRC had a claim in shaping the Southeast Asian regional order, as implied by the original Malaysian proposal. The ruling Indonesian circle, which accused the PRC of having a hand in the attempted coup of October 1965 and had subsequently broken off diplomatic relations with the latter, had serious misgivings about the PRC's subversive intentions in the region.[5] Consequently, the Indonesians opposed the provision for the great powers (ergo the PRC) to guarantee the neutrality of the region. In addition, the Indonesian leadership was also keen on promoting ASEAN as the logical forum for managing intra-ASEAN relationships.

Like Indonesia, Singapore was less than sympathetic to Malaysia's attempt at utilizing foreign policy to serve a domestic political end. However, its reasons for doing so was prompted by its own geopolitical situation. It opposed the Malaysian proposal's implied guarantee by the great powers for the neutrality of Southeast Asia while at the same time being also concerned about the emergence of a regional order shaped by any local dominance. Instead, Singapore favoured ". . .a balanced multiple involvement of extra-regional powers"[6] in the region that would cancel each other out. In addition, Singapore also wished to delay establishment of diplomatic relations with the PRC until Indonesia had done so out of deference to the latter.[7]

Due to its geographic proximity to Indochina, Thailand felt that it was the most exposed to developments in Vietnam. Thus, it was the least inclined to endorse the idea of neutralization in any of its variant forms. The Thais' real concern was to maintain access to an outside power which could counterbalance any hegemonistic ambitions of the Vietnamese in

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Indochina while trying to ascertain whether a viable political relationship could be worked out with the PRC. On the other hand, despite the United States' military presence on its territory, the Philippines openly supported the Malaysian neutralization proposal because of several reasons: a) the uncertainty of its relations with the United States, b) a recognition that some kind of regular diplomatic contact would have to be established with the PRC, and finally, c) it would cost nothing to endorse an ideal and a diluted scheme, which would be difficult to achieve, and which had no direct bearing on the external security of the Philippines. And then, there was of course the prevailing view that efforts at regional diplomacy (writ large "national achievement") would enhance the political stature of the President.[8]

The differing stances that the ASEAN states took with respect to Malaysia's neutralization proposal and its eventual outcome illustrates the proclivity of the ASEAN states to look at the notion of regional interest through the rigid lens of national interest. It is this particular aspect that allows the lowest common denominator imperative to prevail in the ASEAN decision-making process. As can be expected, this *modus operandi* allows any one member (but particularly the bigger members), a dominant role in shaping ASEAN consensus if it chose to do so. This was illustrated quite clearly, for example, by the position that Indonesia took on the future of the American military bases in the Philippines in the late 1980s.

During a speech at a conference in Singapore on 5 October 1987, Philippine Foreign Minister Raul Manglapus had proposed that the American military bases be made a collective regional responsibility. While there were some indications of support for the idea from Malaysia, Singapore, and Thailand, Indonesian Foreign Minister Mochtar Kusumaatmaadja made it clear that as far as Indonesia was concerned, the base issue was a bilateral one between the Philippines and the United States. (Indonesia was reluctant to publicly endorse the continued presence of the American bases because of its preference for national and regional resilience as well as its foreign policy orientation of non-alignment). Mochtar first voiced Indonesia's negative response to Manglapus' Singapore initiative on 23 October 1987. By the beginning of the following month, Manglapus had shifted his position to one that could be viewed as either distinctly Indonesian, or in line with the neutralist sentiments then prevailing in the Philippine Congress.[9]

The about-turn in Manglapus' position was undoubtedly prompted by the concern for ASEAN consensus which on that particular occasion was shaped by the stance that Indonesia took, particularly since the Third ASEAN Summit was to be held in Manila the following December. Indeed, it was in deference to the Indonesian position that the base issue was

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not raised at all during the Manila Summit. This prompted one observer to note that the turnaround in Manglapus' position was a "necessary courtesy towards ASEAN's elder statesman, President Soeharto, and to ensure that he would attend the Manila Summit".[10] This observation was underlined by the fact that it was due to President Soeharto that the Manila Summit was held at all.[11]

The developments emanating from Manglapus' proposal is not surprising given the influential role of Indonesia within ASEAN right from the early years of the Association. For example, in discussions over ASEAN Preferential Trading Arrangements (PTA) in the 1970s, Indonesia argued for, and got, what it wanted. One bone of contention was the rules of origin issue, that is, the required level of value added percentage for a traded product of a member country to qualify for preference. Four of the five ASEAN states at that time suggested the internationally accepted rate of 50 per cent. However, being the least developed member, and to protect its own domestic industries, Indonesia argued that 60 per cent should instead be adopted. The eventual solution underlined the influential position of Indonesia, as well as the ASEAN states' desire to maintain consensus: it was agreed that the 50 per cent rate would apply to the other four ASEAN states while Indonesia was given the option of requiring 60 per cent ASEAN origin or 40 per cent non-ASEAN origin.[12]

More recently, the influential role of Indonesia within ASEAN was exemplified by the decision that ASEAN eventually took regarding Malaysian Prime Minister Mahathir Mohamad's initial proposal for an East Asia Economic Grouping (EAEG). Prime Minister Mahathir first mooted the EAEG concept during the visit of Chinese Premier Li Peng to Malaysia in December 1990.[13] As the name implies, membership in the EAEG was to be restricted to the ASEAN states and other East Asian countries. While the immediate reactions of the other ASEAN states to the EAEG concept were lukewarm at best, the Malaysian Government lobbied hard for an ASEAN endorsement. This resulted in a partial victory for the Malaysian Government when the ASEAN Economic Ministers agreed in principle to further explore the concept, after renaming it to the less bloc connoting East Asia Economic Caucus (EAEC), during their annual meeting in October 1991.

Malaysia had hoped that the EAEC would receive the official support of the other ASEAN heads of government at the Singapore Summit in January 1992. It was felt that such an endorsement would strengthen Prime Minister Mahathir's hand in persuading the Japanese to endorse the EAEC concept. As it turned out, during the Summit, the EAEC received only a general reference for it to be submitted to senior ASEAN economic officials for further discussion. (While the EAEC did not receive the

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ASEAN endorsement that Malaysia had hoped for, the concept remains an important item on the Malaysian foreign policy agenda.)

Indonesia's lack of enthusiasm for the EAEC was widely seen as the most significant obstacle to an ASEAN endorsement of it at the Singapore Summit. On the surface, the fear of being perceived as a trade bloc was mentioned as the reason for Indonesia's reluctance to endorse the EAEC. However, it appears that the real reason for Indonesia and, to a lesser extent, the other ASEAN states' reservations regarding the EAEC centred on Kuala Lumpur's failure to consult Jakarta and the other ASEAN members prior to announcing it.[14] As an editorial in the *Indonesian Observer* put it,

> the EAEC exercise provides ASEAN a useful lesson that in itself could be made a matter for ASEAN consensus. One of these is that whenever an ASEAN policy initiative is proposed, it must first be debated at length internally and that any public disclosure shall be done only after full accord is achieved. Alternatively, any ASEAN forum can be used as a platform to convey a member's national aspiration, preferably with deference to the sensibilities of the other members. However, we fear such a practice might diminish the ASEAN-ness of ASEAN.[15]

The turn of events surrounding the Malaysian EAEC proposal provides a clear illustration of what can happen when a proposal is made or perceived as being made outside of the framework of consensus. Indonesia's cool reception to the EAEC idea was clearly prompted by Kuala Lumpur's failure to consult Jakarta beforehand. To be sure, it appeared that the prestige of those involved — Mahathir and Soeharto — was also at stake and the divergent views might have been tied to the delicate question of who leads ASEAN, at least in the intellectual sense.[16] (As the elder ASEAN statesman, President Soeharto might have felt that Kuala Lumpur's failure to consult Jakarta was a direct slight on his leadership role within ASEAN.)

The preceding examples underline not only the important leadership role of Indonesia within ASEAN but also the importance that ASEAN members attach to the need to consult one another and to be sensitive to each others' concerns and aspirations. They illustrate the potential divisiveness that can emerge when the cardinal precepts of *musyawarah dan muafakat* are not adhered to, and lend support to the notion that, within ASEAN, Indonesia is clearly first among equals. Yet, within the framework of consensus, compromise or perhaps restraint is of the essence. For instance, consideration of ASEAN consensus was at least partially responsible for why General Benny Murdani, then Commander-in-Chief of the Armed Forces of the Republic of Indonesia (ABRI), had to subsequently

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clarify his statement that "the Indonesian army does not believe" that "Vietnam is a danger to Southeast Asia".[17] (Murdani made the statement during a visit to Vietnam in early 1984.) Murdani's statement caused a ripple in the other ASEAN capitals and raised concern, particularly in Bangkok, that Indonesia was pursuing a dual-track diplomacy (that is, through ASEAN and bilaterally) towards Vietnam.

Thai Foreign Minister Siddhi Savetsila rationalized Murdani's statement by noting that Indonesia's bilateral dialogue with Vietnam was its own internal affair. The Thais also publicly accepted Indonesian Foreign Minister Mochtar Kusumaatmaadja's reassurances that a dialogue with Vietnam did not depart from the ASEAN stand over the Cambodian conflict. Subsequently, in the interest of ASEAN unity, at the 17th ASEAN Ministerial Meeting (AMM) in Jakarta, the ASEAN foreign ministers endorsed Indonesia's bilateral effort to develop a dialogue with Vietnam. Nevertheless, during his visit to Brunei to mark that country's independence and accession to ASEAN, Murdani made it a point to explain his earlier statement by noting that "when I said that Vietnam was no longer a threat to Southeast Asia, it does not imply that I would be happy if Vietnam remains in Kampuchea".[18] He also emphasized that the diplomatic posture of ASEAN over Cambodia remained unchanged.

One ASEAN or Six ASEANs

The discussion above suggests that the ASEAN states have both been reluctant to place their individual national interests under the broader concept of a common regional interest and that their *modus operandi* has actually facilitated this proclivity. However, while it would appear that the contending interests and motivations of the ASEAN states have made it difficult for them to agree on the course of action to take on any given issue, and gave them a degree of influence in determining the direction of ASEAN, the impact of the dynamics between these two factors on economic co-operation still remain. In other words, is the pace of intra-ASEAN economic co-operation a reflection of ASEAN states' lack of consensus as well as their concerns of not disrupting the broader ASEAN consensus?

What happened at the first meeting of ASEAN economic and planning ministers in Jakarta in November 1975 (as part of the pre-Bali Summit preparation) is indicative of just how the requirement of consensus has affected the pace of intra-ASEAN economic co-operation early on. During the meeting, the idea of an ASEAN free trade zone and a proposal for 20–30 per cent across-the-board tariff reductions were presented by Singapore

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with support from the Philippines. However, opposition from the Indonesians led to the demise of both proposals.

The *Far Eastern Economic Review's* description of what transpired during the meeting is rather revealing and provides a clue as to why it has proven difficult for ASEAN to move faster on the economic co-operation front. As the *Review* put it, there is "some evidence that Indonesia exercised its 'leadership' by discouraging any argument for free trade. There is even a hint of a 'divide-and-rule' tactic in that it has been suggested that the Indonesians said different things to different delegates — and that they played upon the other's fears of Singapore (that is, its economic dominance)".[19] The comments made by some of the delegates left no doubts about just how strongly the Indonesians had opposed the Singapore proposal. One delegate noted that there "was simply no budge in the Indonesian position from the time the officials met to the end of the ministerial meeting".[20] The observation of another delegate was more blunt: "What's all this about *musyawarah* being the Indonesian technique? The Indonesians were simply not interested in consultation leading to consensus. Rather, their position was negative, take it or leave it".[21] "We put our best arguments forward — about the need to demonstrate real political will, to make a real commitment to economic harmonisation. For all that, Soeharto's opening speech was still the final communique", was how one ASEAN economic minister summed up the meeting.[22]

President Soeharto had, of course, already indirectly rejected the idea of free trade and tariff reduction during his opening address to the ASEAN economic and planning ministers. He had instead suggested that co-operation in the two areas of food and energy be increased. What is interesting in his choice is the fact that Indonesia stood to gain the most from intra-ASEAN co-operation in these two areas. Indonesia was, and still is, the leading oil-producing ASEAN state and an adequate supply of food would have been a welcome relief to overcrowded Java. This prompted one contemporary observer to note that ". . . Suharto was in effect telling the [ASEAN delegates] what agreements Indonesia would allow. . . ", and that he was "limiting cooperation to a rather close identification of Indonesia's self-interests".[23]

The experience of ASEAN in the economic co-operation front in the aftermath of the Bali Summit strongly suggests that the contending interests and motivations of the ASEAN states are major obstacles. One indication of these perennial difficulties is the states' tendency to deal more with external trade partners rather than with their fellow member states. The then Singapore Prime Minister Lee Kuan Yew alluded to this tendency at the Second ASEAN Summit in Kuala Lumpur in 1977. As he explained, it is psychologically easier for the ASEAN states to deal with their external

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trade partners than it is for them to sort out trade arrangements among themselves.[24] To complicate matters even further, when they have actually ventured into the area of economic co-operation, the ASEAN states have taken an item-by-item approach, or what *The Economist* termed "*a la carte* cooperation".[25] While the competitive nature of the ASEAN economies may be partly responsible for the measured approach, the ASEAN states' tendency to deal with external trade partners separately has led to the unfortunate but certainly correct impression that "ASEAN is not a single market, but for all intents and purposes six separate national markets. . . ."[26]

To be sure, the decision to take a gradual and incremental approach to economic co-operation, while consented to, was certainly not unanimous. Singapore, for one, had wanted ASEAN to move more rapidly in intra-ASEAN economic co-operation. As pointed out above, the idea of a free trade area was first proposed by Singapore, with strong support from the Philippines, at the first meeting of the ASEAN economic and planning ministers in Jakarta in 1975. Both countries were in favour of the free trade zone idea because each saw its potential benefits. Being the most developed member, Singapore saw obvious trade advantages for itself while the Philippines had its own sights on industrialization expansion and an export market for its industrial goods. However, Indonesia, Malaysia and Thailand were less enthusiastic to the free trade area proposal. Indonesia opposed the idea because it feared that a "free trade zone would be a 'Trojan horse' within ASEAN, with multinationals in its belly".[27] Thailand was at that time preoccupied with its own internal security and was therefore content to let others take the lead.

Future Thai Prime Minister Anand Panyarachun's observation in 1984 that there were two schools of thought on the progress of economic co-operation among the ASEAN states, helps to put the differing views of the states in their proper perspective.[28] According to Panyarachun, one school of thought considers the progress that ASEAN has already achieved on the economic co-operation front as being a major achievement. Therefore, no drastic policies or measures, which could potentially lead to fundamental differences and approaches and thereby create a division of political unity and regional harmony among the ASEAN states, needed to be instituted. The other school of thought was more critical about the over-cautious and step-by-step approach of the "pragmatists" to turn ASEAN into a credible regional economic organization. As such, the argument made is that closer industrial and trade linkages would inevitably lead to closer relationships and build a stronger foundation for political co-operation and solidarity in the region. These two different schools of thought lend further credence to the notion that economic co-operation is in fact viewed differently among the ASEAN member states.

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The apparent disagreement of the political leaders of the ASEAN states over the speed at which intra-ASEAN economic co-operation should proceed can also be detected from the comments that some of them made during the early years of intra-ASEAN economic co-operation. Referring to what was achieved in the economic sphere at the 1976 Bali Summit, then Prime Minister Lee Kuan Yew noted that "for the present, it is what is possible. When it is achieved, we must decide what the next step should be".[29] At the Tenth ASEAN Ministerial Meeting in Singapore in 1977, Thai Foreign Minister Dr Upadit Pajariangkul noted that while the Thai Government agreed on the desirability for the ASEAN states to take steps that would encourage freer trade and make their economies more complementary, it also took "into consideration the general understanding that this process has to arrive at an optimum balance, whereby gains and losses are evened out for all".[30] President Soeharto phrased it in a slightly different way when he emphasized that ASEAN should not be too concerned about impressing outsiders. As he put it, it is "unnecessary for ASEAN to take steps that may look impressive and draw compliments from abroad, but in fact these steps may be damaging to one of us or that they are completely unbeneficial to our peoples".[31]

The preceding statements suggest that ASEAN's "go slow" approach *vis-à-vis* economic co-operation was both deliberate and intentional. Apparently, the pace was what was possible and, more importantly, mutually acceptable to all the member states. Viewed from this perspective, Prime Minister Mahathir Mohamad's observation at the 1992 Singapore Summit that the "movement towards a free trade arrangement (that is, AFTA) is not as big a change as a single European Market, but for us, it is significant",[32] was certainly not an exaggeration.

The question then arises, if lack of consensus over how much intra-ASEAN economic co-operation to encourage and how fast it should proceed was a factor, was this situation weighed down by concern for the broader unity and cohesiveness of ASEAN itself? In other words, did the ASEAN states' concern for maintaining overall ASEAN consensus contribute to their decision, by default if you will, to proceed cautiously with intra-ASEAN economic co-operation? If this was a factor, then by extension, the pace of intra-ASEAN economic co-operation must also logically be tied to the ASEAN decision-making process itself.

One indication that the requirement of consensus may have indeed taken precedence over the performance of ASEAN in the economic co-operation sphere can be seen from a detailed study of intra-ASEAN economic co-operation in the mid-1980s.[33] According to this study, it is "unfortunate that ASEAN politicians and administrators seemed resigned to the fact that discussions of issues in which national interests obviously

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diverge must remain largely taboo in fora that are now required by tradition to stress only the spirit of friendship and solidarity".[34] This observation is borne out by Indonesian Foreign Minister Mochtar Kusumaatmaadja's caution at the Nineteenth AMM in Manila that the "slow pace on integration is the price we had to pay for ASEAN's continued cohesion and success".[35]

In this respect, the criticism that ASEAN should have taken more radical measures by accepting and implementing Singapore's free trade zone and tariff reductions proposals in the mid-1970s, for instance, is less forceful when viewed within the context of the political reality of the contending interests of the ASEAN states.[36] It made sense for ASEAN to concentrate on those issues that they could agree upon and to avoid those issues they could not agree upon and, therefore, potentially harmful to their cohesiveness as a group. Indeed, the preoccupation of the ASEAN states until recently with the Cambodian conflict, at the expense of other areas such as economic co-operation, was prompted to a large extent by their concern of presenting a united front to the outside world. The Cambodian conflict was one issue in which all of them could agree upon, more or less. As such, the ASEAN states appeared to have given less attention to economic co-operation not because they collectively do not want it, but precisely because of its potential for causing division within their ranks.

The 'Triad' and ASEAN

From the above, it would appear that the issue of intra-ASEAN economic co-operation cannot be considered in isolation from the contending interests and motivations of the ASEAN states, which must in turn be viewed in the context of consensual decision-making. It is also clear that the issue of economic co-operation among the ASEAN states lies not with whether to pursue economic co-operation or not, but rather how much of it to encourage and how fast it ought to proceed. The general attitude of the ASEAN states towards economic co-operation may be explained by the fact that the ASEAN states see economic co-operation not necessarily in terms of increasing intra-ASEAN trade flows *per se*, but more from the perspective of regional stability and prosperity as the logical by-product of the economic well-being of the individual member states themselves. Viewed as such, there is certainly no doubt that ASEAN has succeeded in providing a conducive atmosphere, which allows the ASEAN region to be among the fastest growing regions in the world.

However, while it appears that national interest considerations and consensual decision-making may have impeded the pace of intra-ASEAN economic co-operation, they may yet prove to be the very impetus that

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will eventually lead to economic integration within the region. In this respect, the decision by ASEAN to shorten the implementation period of AFTA suggests that the member states are keenly aware of, and responsive to, external events and the potential impact of such events on their economic well-being. Initially, it was proposed that AFTA, which came into effect in 1993, be given a ten-year implementation period. This was subsequently lengthened to fifteen years at the insistence of both Indonesia and the Philippines on the grounds that their own industries were less developed and, therefore, needed a longer period of protection than the rest of the ASEAN states. However, there was an about-turn at the ASEAN Economic Ministers (AEM) meeting in Bangkok in September 1994 when the economic ministers agreed to shorten the implementation phase of AFTA from fifteen years to the initial time-frame of ten years. In addition, AFTA was further broadened in scope to include more than 80 per cent of goods traded within ASEAN in the tariff reductions scheme.[37]

The primary impetus behind the decision to speed up AFTA came from a growing concern among the member states that ASEAN could be overtaken by the strong parallel push to turn the Asia–Pacific Economic Co-operation (APEC) forum into a free trade area.[38] The concern of the ASEAN states was initially prompted by the report of the Eminent Persons Group (EPG), which had been tasked to look into the future direction of APEC. The EPG recommended that APEC be turned into a free trade area in stages, with the process being completed by or before the year 2020. Even more pertinent was the call by a group of APEC business leaders to bring the target date forward to 2010. As it turned out, both sets of recommendations were discussed by the APEC heads of government at the Bogor Summit on 15 November 1994. Both dates were subsequently incorporated into the Bogor Declaration. Among others, the Bogor Declaration highlighted the need for APEC members to move towards liberalization and encouraged the developed members to liberalize their market by 2010 while the less developed members were to do so by 2020.[39]

To be sure, there is certainly no guarantee that the Bogor Declaration will not turn out to be just that — a declaration of intent. However, even if the Bogor Declaration is viewed as non-binding by some members of APEC,[40] the fact is that its passage has a direct and potentially negative implication for AFTA as it could make AFTA irrelevant, especially if AFTA was to be fully implemented only by 2008, as was agreed upon at the Singapore Summit. ASEAN could certainly not afford to give the impression that it was lagging behind APEC, particularly in an area in which it had long publicly aspired to attain — economic co-operation.

In this respect, the decision of the ASEAN states to speed up the process of realizing AFTA (that is, from 2008 to 2003) clearly stems from

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their common concern of not wanting to be overtaken by the broader developments within APEC. Equally important is their concern to maintain the relevance of ASEAN, and by extension, their collective weight in shaping the future of the Asia–Pacific region. This may be a first strong indication that when external developments intrude into their collective regional interests in a direct way, the ASEAN states are willing to forgo some degree of national interest. The decision is also important in another way: it suggests that consensual decision-making need not necessarily mean rigidity; key decisions can and will be made quickly when and if the situation, particularly external impetus, demands it. By the same token, the fact that both Indonesia and the Philippines, which had previously opposed the initial ten-year implementation period for AFTA, agreed to the shorter target date suggests that perhaps national interest considerations need not always collide with broader regional interests.

At another level, a degree of optimism for the successful implementation of AFTA in particular, and the future of intra-ASEAN economic co-operation more generally, is provided by the emergence of "natural economic territories" or growth triangles in the Asia–Pacific region. (The basic idea behind the concept of a growth triangle is for parts of national economies to pool their resources and to utilize their comparative economic advantages to bring about mutual economic benefits.) Within ASEAN, Singapore Prime Minister Goh Chok Tong is seen as both the initiator and the driving force in making the concept a reality through the creation of the Singapore, Johor, and Riau Islands (SIJORI) Growth Triangle. The creation of SIJORI has led to two other growth areas within ASEAN. One is the Malaysian-initiated Northern Growth Triangle, which encompasses the four northern peninsular states, two north Sumatran provinces and the five southern provinces of Thailand. The other is the East ASEAN Growth Area (EAGA), which was proposed by Philippine President Fidel Ramos. The EAGA comprises the Southern Philippines, East Malaysia, Brunei and Eastern Indonesia.

The three growth areas within ASEAN can certainly be seen as important 'cogs' in the 'wheel' of ASEAN co-operation. Through them, all of the ASEAN member states are now directly involved in economic co-operation activities with each other (in one degree or another), albeit on a smaller scale. It is only logical to expect that when and if ASEAN expands its membership — to include the Indochinese states and Myanmar, for example — other growth areas which will incorporate these new members will come into being.[41] (This could certainly be one way to incorporate new and presumably less developed members into the more advanced ASEAN economies.) As such, if AFTA is conceived as the "boat" carrying the ASEAN states towards the final destination of intra-ASEAN economic

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integration, then the growth triangles identified within ASEAN can be conceived as the "waves" that will propel AFTA to its destination. Taken together, perhaps these developments show that the ASEAN states are willing and able to take otherwise difficult decisions in the interest of their greater common good.

Conclusion

Concern for maintaining overall ASEAN consensus continues to be an important factor in shaping the pace at which ASEAN proceeds with economic co-operation. The experience of ASEAN seems to suggest that, given their diversity, the member states accept the fact that ASEAN must not be pushed in any way that might require one or more of the member states to give in more than they are willing to. It also appears that the process of economic co-operation or even integration in the context of ASEAN must be screened by the overriding and contending economic nationalism of the ASEAN member states. Their willingness to co-operate in the economic arena is conditioned by a powerful desire to foster and protect their individual economic development and growth. Operating in the atmosphere of consensus, this process has often "sacrificed" intra-ASEAN economic co-operation in favour of the continued cohesion of ASEAN.

However, the regional environment of the 1990s is increasingly pushing ASEAN into the position where it must not only respond quickly but also effectively to events (internal and external) if it is to retain its relevance in a fast-changing regional and global environment. In this regard, the recent decision by ASEAN to shorten the implementation phase for AFTA and the inclusion of more goods into the tariff reduction scheme, may have signalled the genesis of a more pragmatic ASEAN approach to the issue of economic co-operation. If such a display of pragmatism is indeed an indication of organizational maturity on the part of ASEAN, then there is reason to be guardedly optimistic about the future of intra-ASEAN economic co-operation and of ASEAN itself.

2NOTES

1. *Far Eastern Economic Review* (hereafter cited as *FEER*), 5 March 1976, p. 11.
2. *FEER*, 15 March 1984.
3. See, for example, Selo Soemardjan, "Introduction", in *ASEAN: Identity, Development & Culture*, edited by R.P. Anand and Purificacion V. Quisumbing (Manila: Sison's Printing Press, Inc., 1981), p. xviii.
4. Michael Leifer, "The ASEAN States: No Common Outlook", *International Affairs* (London) 49 (October 1973): 601. For a more recent discussion of ZOPFAN, see, for

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example, Sheldon W. Simon, "ASEAN Security Prospects", *Journal of International Affairs* 4 (Summer/Fall 1987): 17–37.

5. For a more detailed discussion of the October 1965 coup attempt and the perceived role of the PRC, see, for example, Benedict R. Anderson and Ruth T. McVey (with the assistance of Frederick P. Bunnell, *A Preliminary Analysis of the October 1, 1965 coup in Indonesia* (Ithaca: Cornell Modern Indonesia Project, Interim Report Series, 1971).
6. Leifer, op. cit., p. 604.
7. Ibid. See also Chew Sock Foon, *Ethnicity and Nationality in Singapore* (Athens, OH: Ohio University Center for International Studies, Center for Southeast Asian Studies, 1987).
8. Ibid.
9. Leszek Buszynski, "The Philippines, ASEAN and the Future of the American Bases", *World Today* 44 (May 1987): 82–85.
10. Ibid., p. 84.
11. This fact was acknowledged by Prime Minister Lee Kuan Yew during his opening speech when he noted the vital role that President Soeharto played in making the Manila Summit a reality. There were concerns that the security problems arising from the last military coup that had confronted President Aquino might have caused the other ASEAN leaders to stay away from Manila.
12. Amado Castro, "ASEAN Economic Cooperation", in *The ASEAN Success Story*, edited by Linda G. Martin (Honolulu: East-West Center, 1987), pp. 70–91.
13. As reported in *Asian Recorder*, 14–20 January 1991.
14. *FEER*, 24 October 1991.
15. As reported in the United States Foreign Broadcasting Information Service (hereafter cited as FBIS) *Daily Report — East Asia*, 24 October 1991, p. 43.
16. *FEER*, 21 March 1991.
17. As quoted in *FEER*, 1 March 1984, p. 8.
18. As quoted in *FEER*, 8 March 1984, p. 36.
19. *FEER*, 30 January 1976, p. 48.
20. *FEER*, 23 January 1976, p. 48.
21. Ibid.
22. Ibid.
23. Ibid.
24. As quoted in *FEER*, 19 August 1977.
25. 6 September 1975, p. 28.
26. As reported in *FEER*, 23 October 1986, p. 140.
27. Ibid., 6 February 1976, p. 18.
28. Ibid., 15 March 1984.
29. As quoted in ibid., 12 March 1976, p. 45.
30. As quoted in ibid., 15 July 1977, p. 14.
31. As quoted in ibid., 19 August 1977, p. 21.
32. As quoted in the *Straits Times* (Overseas Weekly Edition), 1 February 1992, p. 1.
33. As cited in the *FEER*, 26 September 1985.
34. Ibid., p. 77.
35. As quoted in the *Asian Recorder*, 6–12 August 1986, p. 19025.
36. For a more detailed discussion of the political difficulty confronting intra-ASEAN economic co-operation, see, for example, Bilson Kurus, "Agreeing to Disagree: The Political Reality of ASEAN Economic Cooperation", *Asian Affairs* 20 (Spring 1993): 28–41.

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37. *Asiaweek*, 5 October 1994.
38. Ibid.
39. As reported in the *New Straits Times*, 16 November 1994.
40. Malaysia, for example, indicated its reservation by submitting to the Bogor Declaration an annexure, which noted that Malaysia will undertake unilateral liberalization measures at a "pace and capacity commensurate with our level of development". As cited in the *New Straits Times*, 16 November 1994, p. 1.
41. ASEAN has now agreed to admit Vietnam, which had formally applied to join ASEAN, at the next ASEAN Foreign Ministers Meeting in July 1995 to be held in Brunei. As reported in the *Daily Express*, 2 December 1994.

BILSON KURUS is with the Institute for Development Studies, Sabah, Malaysia.

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The Foreign Policy Dimensions of Subregional Economic Zones*

DONALD E. WEATHERBEE

The study of foreign policy in Southeast Asia in recent years has focused on the processes and structures of regionalism, especially ASEAN. Truly integrative activity has not been a region-wide phenomenon. It has been subregional in the formation of so-called "economic growth zones" or "natural economic territories". Analysis of subregionalism has tended to be limited to the economic functions performed within them; involving as they do national state actors in their creation and development, subregional zones are also an appropriate category for political analysis. Some initial hypotheses are offered in this article to explain the foreign policy impact of subregional economic zones in a comparative analysis.

Introduction

One of the most recent features in the political economy of East Asia and the Pacific has been the emergence of co-operative administrative and legal structures linking parts of separate national economies in territorially defined subregional economic zones (SREZs)[1] or "natural economic territories" (NETs).[2] Sometimes called "growth zones", these localized areas of economically integrative activities have in some cases been given popular geometric designations, depending on the number of participant states: triangle, quadrilateral, even hexagonal.

The conceptual foundation of an SREZ or NET posits that the factors of production — capital, land, labour, resources, technology, and management — exist in a specific geographic space independent of, or

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overspilling national territory. While the motor driving the "natural" economics of the subregional economic territory is global, market-oriented private and quasi-private capital and entrepreneurship, the "unnatural" quality is the requirement of governmental investment in institutional and material infrastructure to support the efficient deployment of capital and thus maximize its competitive position in the global economy.[3]

Subregional Economic Zones as a Category for Political Analysis

It is the governmental dimension of these subregional economic zones that makes them an item for international relations and foreign policy study. Comparative analysis is complicated by the fact that in some measure SREZs or NETs as a foreign policy variable are *sui generis*. On the one hand, they share some of the characteristics of a domestic export processing zone. At the same time, functionally at the international level, supranational truly integrative processes are taking place. Yet, this integrative behaviour does not, at this stage of development at least, seem to be leading in the direction of a subregional "community".

The concept of the SREZs has had high public visibility,[4] but analysis has been limited to their economic functions with little attention paid to their role as an instrument of foreign policy, particularly their impact on the other dimensions of the national actors' interactions with each other and other actors in the wider international environment. This latter area of investigation is important, given the growing popularity of the notion of subregional growth zones in theory. Tan Siew Hoey lists ten existing or proposed East Asian zones.[5] In addition to the national states involved, the development or proposals for such zones have also engaged international organizations such as the Asian Development Bank and the United Nations Development Programme. Of the ten, only two, the Singapore–Johor–Riau "growth triangle" (SIJORI) and the Greater Chinese Economic Cooperation System (GCECS: South China–Hong Kong–Taiwan) can be said to be really up and running. Others are either in the planning stage, prospective, or visionary.

The GCECS is already a significant factor as a dynamic economic centre in Northeast Asia. As a case for examining the broader policy implications of subregionalism for national actors, however, the GCECS is of limited utility. It is a special case of what is already a hard to categorize class of trans-state interdependencies. The fact that the Hong Kong and Taiwan actors are in the process of becoming or are claimed to be part of a single national actor, China, is less important in distinguishing the GCECS from the other zones than the special qualities of cultural

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uniformity across the "national" boundaries boosted by clan, kinship, and family ties transcending "territorial" boundaries.[6] This aspect of the GCECS also connects it to overseas Chinese beyond the territorial nexus of the geographically limited zone.

In contrast to the GCECS, SIJORI possesses in full measure the more usual characteristics of an SREZ. It is truly multinational with marked cultural and ethnic diversities. Its "naturalness" is not to be found in non-economic qualities of the populations that inhabit it. Its putative "naturalness" is in meeting the economic criteria for such transnational zones: complementary resources and infrastructure; geographical proximity; shared economic interests; investment initiatives; and a symbiotic relationship between the core and the periphery.[7] As such, SIJORI is the model to which other proposed formal zones in Southeast Asia have reference: the Northern Growth Triangle (North Sumatra, Penang-centred northwest Malaysia, and South Thailand) and the East ASEAN Growth Area (southern Philippines, East Malaysia, Brunei, and East Indonesia).

The Northern Growth Triangle seems to have received much attention at the highest level from all three governments since the Langkawi ministerial meeting in July 1993.[8] This was preceded by a Chuan Leekpai–Soeharto meeting at the end of April 1993,[9] followed by a Chuan Leekpai–Mahathir summit.[10] The model of formal trilateralism adopted for the Northern Growth Triangle (leaving aside the problem of operationalization) has now informed SIJORI, where Indonesia and Malaysia agreed in January 1994 that a more detailed framework like that of the Northern Triangle was necessary to enhance Malaysia's participation.[11] This would enhance the "geometry" of a rhetorical "triangle" that has been in fact two unconnected bilateral relationships: Singapore–Johor and Singapore–Indonesia.[12] The formalization of economic co-operation in SIJORI is contained in a Memorandum of Understanding among the three countries signed in Johor on 17 December 1994.[13]

NETs, National Interests, and Foreign Policies: Five Propositions

At one level of analysis, the bargaining involved in establishing a formal SREZ is economic. At another, it is political. It is the latter that interests us here. Tan describes the "growth triangles" of the Asia–Pacific as transcending national boundaries.[14] While this assertion may convey some sense of the informal or intellectual conceptual construct within which discussions of the economic processes of such zones are often framed, in point of fact, the territorial, institutional, and jurisdictional oversight over the economic elements of a zone do not transcend national boundaries.

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Although, operationally, certainly inter-governmental in terms of the co-operative relations between the states concerned, an SREZ is not trans-governmental, let alone supra-governmental. There are no international political actors or units with international legal personalities known as SIJORI, Northern Growth Triangle, East ASEAN Growth Area, or other mooted zones.

The Indonesian components of SIJORI include all the activities and territories coming under the jurisdiction of the Batam Industrial Development Authority (BIDA). It remains squarely within Indonesia's national territory. In the absence of treaties and agreements to the contrary, Indonesia continues to exercise sovereign jurisdiction. The regulatory regime administered through BIDA designed to facilitate the flow of capital and goods across sovereign boundaries is the outcome of Indonesian domestic national decision-making. The national elements of SIJORI and the other zones, while economically integrated into a wider economy in a framework of regional co-operation, remain institutionally, operationally, jurisdictionally, legally, and politically, within the state.

An analysis of the impact of "growth zones" in the broader context of relations among national actors engaged governmentally in subregional co-operative activities is an examination of the place and workings of one kind of state interaction in the totality of transactions that take place between and among state actors. In this respect, at the highest level of generalization, the politics of SREZ creation is a co-operative transaction in an international relations subregion. In the Southeast Asian case this is historically more often characterized by conflict, particularly among some of the now dyadic and triadic zonal partners. The analysis of these relations puts us in the realm of foreign policy, broadly defined as state activities in the international environment designed to promote national interest.

Pushpa Thambipillai was the first to focus attention on national interest and SREZ formation, arguing that the kind of subregional co-operation represented by SIJORI and, by extension, any such zone, exists because of a convergence of the national interests of national actors.[15] A foreign policy discussion of the implications of an SREZ for the foreign relations of national actors must begin with national interests. It can be stated as a given that the strategy of SREZ building is one of an array of policies adopted in East Asia and ASEAN to maximize export-led industrialization in the interest of sustaining rapid economic growth. What distinguishes this strategy from wholly domestic policies designed to further the same interest is the requirement of formal or informal inter-governmental agreements to foster enterprise through the liberalization of legal and political restrictions inhibiting "natural" economic integration

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in contiguous state territories in order to share the factors of production. As one Thai analyst has noted, "a country's industrial policy has now become an important variable in foreign policy analysis."[16]

As an analytical starting point we would underline the basic fact that any state has multiple national interests and the task of the foreign policy élite is to range them in terms of importance to the state and to allocate the scarce national resources necessary to carry out policies (specific activities) designed to promote these interests. The argument here is that the strategy of SREZ building is not an interest in itself but a policy. As a policy in support of convergent economic interests, its value as to "foreign policy" will be evaluated by national élites with regard to 1) its "payoff" to the state in terms of its "payoff" to the other states, recognizing that it is not a "zero-sum" relationship; 2) the "cost" of the policy with respect to other policies supporting other interests in the hierarchy of interests to be secured externally; and (3) the congruence of "foreign policy" with domestic interests and policies. In other words, as an initial hypothesis, we can state that *a foreign policy of supporting the development of subregional economic growth zones will be pursued as long as it does not conflict with or undermine other policies deemed more effective or threaten interests viewed as more vital.* It should also be pointed out that the hierarchy of interests and the selection of policies to promote interests will vary from state to state. Once the analytical focus penetrates below the general convergent interest of enhancing economic growth, it becomes apparent that each participating country will have a different mix of more specific lower order interests and, thus, the opportunities for conflict of interests will become greater.

Some Propositions for Testing

From the above comments on the relationship between interests, policies, and SREZ development some propositions can be derived, with examples. A fully rigorous empirical testing of these propositions is beyond the scope of this article. They are offered here for preliminary consideration and discussion.

1. *The larger the number of participant state units, the more likely the possibility that conflicting interests and policies will operate as obstacles to zonal development.* This appears to be the case with the Tumen River Area development project, the most complex of the proposed subregional economic zones.[17] Described as a "litmus test" for Northeast Asian economic co-operation,[18] the abiding differences in security, political, and cultural interests may make it, in its full scope (with the participation of North Korea, South Korea, China, Mongolia, Russia, and Japan) another

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"casualty of history".[19] The less ambitious, more limited project of a Tumen Basin free trade zone straddling Russian, Chinese, and North Korean borders seems ultimately more realizable.[20] Even this, however, may be unattainable, given the cross-cutting economic and political cleavages at work impeding co-operation.[21] Similarly, the Greater Mekong Subregional Co-operation Project — the so-called "economic hexagon" — faces the similar problem of multiple conflicting and different order interests between Thailand, Laos, Cambodia, Vietnam, Myanmar, and China. Even the more rationalized "Quadrangle" of North Thailand, Myanmar, Laos, and China's Yunnan province may prove unmanageable because of the number of different interests at work. The original designation of SIJORI as a "growth triangle" may, in fact, suggest the optimum number of partners in such a zone.

2. *The more extensive the perceived asymmetries between the states in a proposed "economic growth zone", the more likely "zero-sum" calculations will affect the decisions of "weaker" members.* This seems to be the case with the Thailand-centred "strategic quadrilateral" (Thailand, Myanmar, Laos, Cambodia), a so-called "*baht zone*", which appears to be a recycled version of the *suvannaphum* or "golden peninsula" scheme floated during the time of the Chatichai government. Then, as well as now, there seems to be a certain rapacious exploitative thrust given to the scheme by army-backed Thai entrepreneurial groups.[22] A similar analysis may help to explain the slow recovery of enthusiasm for the original U.N.-backed Mekong development project now that international peace has been restored in Indochina, despite Thailand's push for movement.[23] Although asymmetries can be demonstrated in SIJORI in the Singapore core–Indonesia and Johor periphery relationships, not only do Malaysia's Johor state and Indonesia's Riau archipelago bring into the zone necessary economic factors, but independently of the economic dimensions, Singapore exists in a geostrategic asymmetric relationship with its partners quite unlike the proposed configuration of the other Southeast Asian zones.

3. *In the hierarchy of national interests, those related to the security and integrity of the national state will have higher priority and take precedence over the promotion of export-oriented industrialization through co-operation in SREZs.* A discussion of the full parameters of security policy and "growth zones" is beyond the limits of this article, requiring separate treatment. It will have to suffice here to simply illustrate the point. For example, Indonesia scuttled the meeting in Davao, originally scheduled for 26–28 May 1994, on the establishment of the East ASEAN Growth Area in protest over a planned Manila international conference by human rights activists on the issue of East Timor. Jakarta also cancelled joint ventures, stepped up arrests of Philippine fishing boats and postponed

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Indonesian-brokered peace talks between Manila and Muslim insurgents.[24] Similarly, the development of the Northern Growth Triangle must overcome irritants in the Malaysian–Thai border relationship. In another case, if we consider the security proposition together with the two discussed above, it is difficult to see Bangkok making rapid progress in the development of either the "hexagon" or the "quadrilateral", given the levels of mutual suspicion and distrust between different pairs of the six and four. What is to be said of a project that would even more closely integrate western Cambodia into a Thai northeastern hinterland in the psychological and political context of the escalation of anti-Thai sentiment in Cambodia, to say nothing of Thai–Lao sensitivities, Cambodian–Vietnamese animosities, and generalized suspicions of China's long-term ambitions in Southeast Asia.

4. *The development of a formal subregional economic zone will be facilitated in cases where the national partners have had prior successful experiences in co-operative behaviour.* This goes a long way to explain why SIJORI "took off". The three states involved have had a pattern of intense bilateral ties independent of SIJORI. These have included elements of security co-operation and exchanges that have acted as confidence-building measures. An examination of the cumulative impact of the web of economic, political, and security ties that bind each of the three dyads — Singapore–Indonesia, Singapore–Malaysia, and Indonesia–Malaysia — suggests that the elements of what is now known as SIJORI would have evolved "naturally", and the conceptualization of a "growth triangle" or NET is a kind of *ex post facto* umbrella explanation of what began as a non-systematic and incremental convergence of interests.

5. *The development of an SREZ as a transactional structure of subregional multilateralism will be facilitated if it takes place within a larger existing institution of regional co-operation.* SIJORI embraces what can be termed the core states of the Association of Southeast Asian Nations (ASEAN). In fact, the Chief Minister of Johor once described SIJORI as a "mini-ASEAN" that was "more manageable".[25] SIJORI and the other proposed ASEAN zones are part of ASEAN's nearly three decades long search for substantive economic co-operation among and between its members. From that vantage, the ASEAN-based SREZs can be seen as steps towards the ASEAN goal of fostering resource pooling and market sharing.[26] The Third ASEAN Summit's December 1992 "Singapore Declaration" pledged "to move towards a higher plane of political and economic co-operation" recognizing that, "subregional arrangements among themselves, or between ASEAN states and non-ASEAN economies could complement overall ASEAN economic co-operation".

The fact that an SREZ might fall within a larger regional co-operative

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framework does not in itself guarantee that it will "take off". The proposed East ASEAN Growth Area is a case in point. Unlike the SIJORI "triangle", the Philippines, the most vigorous proponent of the scheme,[27] although an ASEAN partner of Indonesia and Malaysia, does not share with them a history of co-operative activity, and the Philippines' claim to sovereignty over Malaysia's Sabah state, yet to be relinquished, continues to bedevil Malaysia–Philippines bilateral relations. Jurisdictional disputes over territory exist between the SIJORI states, for example, Pedra Branca between Singapore and Malaysia, and Sipadan and Ligatan between Indonesia and Malaysia, but these have not interfered with wider co-operation either in SIJORI or the wider ASEAN ambit. The Sabah issue, however, is different in scope and significance as an obstacle to co-operation since the territory at issue itself is a component unit of the proposed zone. If SREZ development can be demonstrated as problematic even within a grouping such as ASEAN with a history of purposeful efforts at multilateral co-operation, what can be said of East Asian regions still marked by conflict?

Levels of Foreign Policy Analysis

A full testing of the explanatory potency of the propositions set forth above would require an analysis of the workings of SREZ-related policy and interests on at least three levels of state interactions: bilateral, local regional, and East Asia regional. At this point, we can only sketch out the levels of analysis and indicate some hypotheses demanding fuller investigation before firm conclusions can be reached.

The bilateral relationship. An examination of the full scope of the bilateral relations between the national actors engaged in zonal development suggests that the SREZ, as a policy, does not significantly influence the basic foreign policy environment between states. In SIJORI, for example, there is no evidence to suggest that the three dyads would be markedly less co-operative or more conflictual if the "growth triangle" as such had not been invented. The SIJORI "triangle" is only one part of a broad spectrum of co-operative behaviour among the three states that has already had great influence in reducing or moderating sources of potential conflict. On the other hand, there is persuasive evidence that the "growth zone" strategy can be utilized by a state to reinforce or complement a broader set of interests than simply economic. For example, there is certainly a security dimension to Singapore's enthusiasm for SIJORI as it promotes functional interdependence with, rather than isolation from, its neighbours in all areas of state behaviour, seeking thereby to overcome economic jealousies and ethnic animosities.

Turning to another Southeast Asian subregion, it is very difficult

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to distinguish clearly between Thailand's functional economic interests in co-operative zone development with bordering Cambodia and Laos and its traditional expansionistic impulses in its dealing with weaker neighbours. Although we might agree that, "for Thailand, a shift in mentality is as important as embarking on concrete co-operation measures with its neighbours",[28] in Cambodia, however, according to a mid-1994 newspaper headline, "It's business as usual with the Khmer Rouge".[29]

Another element to be considered in the bilateral relationship has to do with domestic policies that might have negative impacts on co-operation within the zone. For example, Indonesia plans to develop a deepwater port in Batam to reduce dependence on Singapore "quite significantly".[30] In the theoretical conceptualization of the function of SREZs, this does not seem to be an efficient division of labour and resources, but all things are not equal in the real world. The Indonesian proposal to develop an industrial centre on Madura "to rival Batam", while perhaps not a challenge to the geographic edge Batam has,[31] is a response to complaints of unbalanced regional industrial growth in the country. It is in negative appraisals of the backward linkages to the domestic economy that "zero-sum" calculations come into play, particularly if the advantage is seen to accrue to overseas Chinese both in Singapore and in the dominant element in Indonesia's private sector.

Local Regional. The preceding rubric is an inelegant way to break Southeast Asia out from Northeast Asia in the East Asian region. We have already noted the functional congruence of the Southeast Asian "growth zones" with the general economic co-operation goals of ASEAN. As they develop, these "mini-ASEANs" will impact on each other and the larger regional framework.

One possible outcome is competition for capital and access to markets. Although it is expected that the Northern Growth Triangle and the East ASEAN Growth Area will, in their formative years at least, give greater emphasis to agro-business and tourism than SIJORI, the statements of subnational officials and business organizations indicate that export-led industrialization is part of the expected mix. They will at the same time be competing for scarce capital with extra-ASEAN zones, in particular the GCECS. Buffeted by competitive claims for infrastructure development and other social and economic overhead costs of the zones, governments will have to make hard choices as to costs and benefits and which SREZs and national regions are to be favoured. The choices will have domestic political consequences.

Alternatively, the governments concerned can press for wider regimes that will promote horizontal integration of the ASEAN SREZs. Already, the Singapore–Penang core axis has been conceived of as the functional

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link between SIJORI and the Northern Growth Triangle.[32] Singapore also has been viewed as having a potential role in the development of the Thai-based "Economic Quadrangle".[33] "Such NET integration will be facilitated by the implementation of the ASEAN Free Trade Area (AFTA). One analyst foresees the NET process as eventually embracing ASEAN itself, transforming it, as it were, into an integrated economic unit.[34] This vision of ASEAN as a "NET writ large" theoretically could take in the Thai-centred Greater Mekong scheme, given the expected eventual inclusion of the three former Indochinese states and Myanmar in ASEAN. A broader pan-ASEAN network of linked zones would have a unifying impact on an ASEAN in which the faint outline of division between the interests of maritime Southeast Asia and continental Southeast Asia has already been discerned in other areas of state interactions.[35] A unified ASEAN would have, as an additional result, a reduction in the competitive disadvantage that a fragmented ASEAN industrial structure would have in relation to the GCECS.

East Asia Regional. This discussion of East Asia's SREZs is set in the broader context of the Asia–Pacific Economic Cooperation (APEC) forum, the Sixth Ministerial Meeting and Second Summit of which took place in November 1994. The economic interests served by "growth zone" building are also served by APEC in its promotion of a liberal global market economy. The call by APEC's Eminent Persons Group for "open regionalism" has set the tone and agenda for East Asia's future. Open regionalism on the micro-level is one way to describe the operations of the SREZs. Promotion of "growth zones" is congruent with policy support for APEC. More exclusive forms of East Asian regionalism, such as the Malaysian-inspired East Asia Economic Caucus, if institutionalized, seem to run counter to regional and subregional integration in the global market economy. Within the still imprecise framework of APEC as well as ASEAN, the Southeast Asian SREZs are not only economically rational in a technical sense, but they are also consonant with the main elements shaping the transforming global political economy.

Conclusion

On the basis of the admittedly incomplete discussion of SREZs in the foreign policy of the national actors, at least three general conclusions can be stated.

1. In addition to their role in furthering economic interests, economic growth zones are also useful in enhancing for the national actors a co-operative environment for bilateral and multilateral relations in general.

2. Although SREZs are not a necessary part of co-operative relations

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between national actors, once they have been established, their failure or dismantlement would have a negative impact on the co-operative relationship. Like ASEAN, SREZs are means to an end. But, in maintaining their existence their survival becomes an end itself, with the possibility of termination becoming a possibly destabilizing factor in relations.

3. Beyond their chartered local and limited interests, SREZs have some importance in fostering and spurring larger and even more significant regional integrative activities and institutions.

NOTES

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DONALD E. WEATHERBEE is Donald S. Russell Professor at the Institute of International Studies, University of South Carolina.

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The Khmer Rouge and the Crisis of Vietnamese Settlers in Cambodia

ZACHARY ABUZA

The ability of the Khmer Rouge to both mobilize the population against the Vietnamese minority, and to sustain the popular belief that they are the only force within Cambodia capable of protecting the country from Vietnamese "annexation" will be a major factor in the success of their movement. The Khmer Rouge target the Vietnamese settlers not just out of historical animosity but as a key component of their domestic political struggle. As a low-cost, popular measure that gives their movement a degree of legitimacy and pressures the Royal Government, both domestically and internationally, the Khmer Rouge can be expected to continue to target the local Vietnamese community.

Introduction

Ethnic Vietnamese settlers have always been a matter of high politics in Cambodia. Lon Nol used anti-Vietnamese riots as grounds for his coup d'etat in 1971. The Khmer Rouge (KR) slaughtered thousands of ethnic Vietnamese as "spies" during their three-year reign of terror. The Vietnamese invasion, the installation of a pro-Hanoi regime, and a resumption of migratory flows led to international charges of the "Vietnamization" and ethnic cleansing of Cambodia. Clearly, the ethnic Vietnamese settlers have been one of the most enduring political issues in Cambodia. Even after the withdrawal of all Vietnamese troops in 1989, the completion of the Paris Peace Accords in 1991, the cessation of foreign military aid, and the U.N.-sponsored elections in 1993, the conflict endures. The question, then, is why?

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This writer has previously argued that the Khmer Rouge will remain a force to be reckoned with for a number of reasons:[1]

— The KR are economically self-sufficient. Because of their timber and gem sales to Thailand, the KR are able to continue financing their war effort.
— The KR have implemented a fairly successful land reform programme, while tolerating private plots and a market-based economy.
— The KR have a stable currency, and the economy in the one-fifth of the country under their control is no worse than in the rest of the country.
— The KR champion the concerns of the rural poor and have popular legitimacy.
— The KR have a well-armed and highly disciplined army.
— The KR are less corrupt than other Khmer factions.

There is one other factor that, to a large degree, will determine the KR's success: the ability to mobilize the population against the Vietnamese minority, and sustain the belief among the populace that the KR are the only force within Cambodia capable of protecting the country from Vietnamese "annexation". In thinking about the Khmer Rouge, we think only of genocide and the "killing fields". We tend to think of them as *ultra-nationalists.*

The key questions, then, are: why do the Khmer Rouge target the Vietnamese settlers? And, secondly, what effects do their policies have on their movement? There are six plausible explanations, that are by no means independent, for the first question, and these will be essayed here, after which we will conclude with some thoughts on the second question.

Explanations

Historical Animosity

The first explanation is perhaps that the KR leadership truly believes its own propaganda. Vietnam, to them, is expansionist and seeks to annex Cambodia. Vietnam invaded and occupied the country once, and will attempt to do it again.

This deep-seated hostility towards, and fear of, the Vietnamese is grounded in history. Ben Kiernan notes that it was only "French domination which stopped Kampuchea from being overrun by Thailand from the west and Vietnam from the east".[2] The Indochina Communist Party was founded and controlled by the Vietnamese. Although the origins of the Khmer–Vietnamese conflict have roots in the early to mid-1970s, they have been fully analysed in other works,[3] so it is sufficient to say that the KR

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felt betrayed by the Vietnamese communists who subordinated the Cambodian revolution to their own, and tried to control the KR through their own loyal agents. According to the *Black Book*, the internal history of the Khmer Rouge,

> As early as 1966, the Communist Party of Kampuchea has judged that it could have only state relations and other official relations with Vietnam, for there was a *fundamental contradiction between the Kampuchean revolution and the Vietnamese revolution. The Vietnamese wanted to put the revolution under their thumb.*[4]

Despite being armed by the North Vietnamese, beginning in 1971, the Khmer Rouge began in 1976 to target ethnic Vietnamese and attack Vietnamese towns along the border ostensibly to reconquer the Khmer Krom region ceded by France to Vietnam. Massacres of ethnic Vietnamese were commonplace under Khmer Rouge rule. Following a large-scale return migration in 1971–72, approximately 200,000 ethnic Vietnamese remained in Cambodia at the time of the Khmer Rouge's victory in 1975, 170,000 of whom fled to Vietnam between 1975 and 1978. Of the remaining 30,000, most died of starvation, disease or execution.[5] According to the *Black Book*, "The population of Kampuchea seethed with deep hatred towards the Vietnamese so that it was not necessary to conduct campaigns for arousing it." On 10 May 1978, Khmer Rouge radio announced:

> So far, we have attained our target: 30 Vietnamese killed for every fallen Kampuchean. . . . So we could sacrifice two million Kampucheans in order to exterminate the 50 million Vietnamese — and we shall still be six million.[7]

Hanoi, having attempted to negotiate,[8] launched a punitive strike into Cambodia in 1978, but withdrew. After the Khmer Rouge resumed attacks, however, Vietnam invaded Cambodia and installed a pro-Hanoi regime composed of Khmer Rouge defectors and Khmer communists who had been in Hanoi since the 1930s. The new regime, the People's Republic of Kampuchea (PRK), was internationally isolated and highly dependent on Hanoi. Annual joint dry season offensives were launched to destroy resistance along the border until the People's Army of Vietnam (PAVN) finally withdrew in 1989.[9] Moreover, the flow of Vietnamese to Cambodia had resumed in 1979. Under the PRK constitution, minority communities were accorded full protection. The PRK "sought to restrict Vietnamese migration but not to prevent it".[10] The PRK claimed that there were no more than 80,000 Vietnamese and 70,000 Chinese in Cambodia during the 1980s, and later, Prime Minister Hun Sen stated that the Vietnamese presence in Cambodia was "less than 100,000". Between 1979 and 1991,

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the long-held Vietnamese goal of an Indochinese Federation under Hanoi's control was achieved.

Despite the PAVN's withdrawal in September 1989, the KR have asserted that there is still an occupation force colonizing Cambodia:

> As for the nearly four million Vietnamese nationals sent to Cambodia since 1979 are concerned, their true nature is that of an aggressive force trying to annex Cambodia. In the past, they served as an abundant source of auxiliary force for the communist Vietnamese aggressive troops. At present they are the instrument of the Hanoi communist Vietnamese in implementing their strategy of swallowing up Cambodian territory and exterminating the Cambodian race through demographic warfare.[11]

Although the assertion of the presence of 4 million Vietnamese in Cambodia is outrageous, the KR are able to capture a large degree of support from the populace because of the perceived danger the Vietnamese pose to the Cambodian nation and people.

Goading Vietnam

The second reason may be that regimes in trouble often use foreign crises in order to bolster their domestic position. The Khmer Rouge may be targeting ethnic Vietnamese in order to goad Vietnam into action. Vietnamese intervention on behalf of their kith and kin would scuttle the peace process and earn Hanoi international condemnation just as Vietnam was emerging from international isolation and becoming stronger politically and economically. The Khmer Rouge were being condemned for scuttling the peace process, in which they had little to gain, and would have liked it to fall apart at the hands of someone else.

Populism

The third explanation is that the issue of Vietnamese settlers is a rallying point for the Khmer population. It is clearly a populist policy. Indeed, the Khmer Rouge are not alone in their rhetoric, and even their attacks have been condoned by the other factions. It must be emphasized that the three opposition factions, the BLDP (Buddhist Liberal Democratic Party), FUNCINPEC (Front Uni National pour un Cambodge Indépendant, Neutre, Pacifique et Coopératif) and the Khmer Rouge, all claim to represent a pure Cambodian nation. Moreover, all of the opposition parties have staked their political legitimacy on their thirteen-year war against the Vietnamese occupation forces.[12]

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Son Sann's BLDP has attacked the Cambodian People's Party (CPP) for the "Vietnamization" of Cambodia. As one BLDP bulletin asserted: "Since 1979 to the present, almost every member of the Khmer populace has encountered all the deceitful tricks and all the overtly illegal acts aimed at the eradication of the Khmers. . .Their plans for swallowing Khmer territory and committing genocide against the Khmers have reappeared for many generations and have taken many forms." FUNCINPEC propaganda, though dominated by warnings of Vietnamese infiltrators in the SOC (State of Cambodia) government, was more palatable to young Cambodians, intellectuals, and moderates than the rhetoric of the Khmer Rouge. FUNCINPEC argued that because the SOC was installed by the Vietnamese, it would remain indebted to Hanoi. Therefore, a vote for the CPP "would mean staying in debt to the hated Yuon and impoverishing the country".

Rabid Khmer Rouge propaganda has often been accompanied by violence and intimidation. In the spring of 1992, for example, the Khmer Rouge attacked a predominantly Vietnamese fishing village in Kampong Chhnang Province. Of the 6,000 Vietnamese settlers acknowledged by the CPP governor, 3,000 fled to safety in the provincial capital.[13] Terror attacks increased after the Khmer Rouge quit Phnom Penh and threatened to disrupt the UNTAC-sponsored election in the Spring of 1993. Between April and May that year, 30,000 ethnic Vietnamese fled Cambodia after about 150 Vietnamese fishermen were killed in 32 separate incidents by the Khmer Rouge. According to one UNTAC (United Nations Transitional Authority in Cambodia) official, the Khmer Rouge "killed in a barbaric fashion, irrespective of age or sex and with no strategic purpose in its war with the KPAF [the SOC's army]".[14]

These attacks had little military value, but were popular demonstrations of Khmer Rouge action against a perceived enemy.

Legitimacy and Platform

Related to this is the fourth explanation: the issue of the Vietnamese settlers gives the Khmer Rouge a *raison d'etre* and increases their legitimacy. The Khmer Rouge have few political platforms, and a large part of the population remembers what they did when they were in power. Using the Vietnamese as both scapegoats and pawns allows the Khmer Rouge to continue the war without always facing RGC (Royal Government of Cambodia) forces, which is costly both politically and materially.

Khmer Rouge legitimacy is based, to a degree, on the premise that they are the most capable force to counter Vietnam's expansionist pressures. As the major military component of the CGDK (Coalition Government of

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Democratic Kampuchea), it was really the Khmer Rouge who "drove" the Vietnamese out of Cambodia.

> Why have they [the Vietnamese] failed to eliminate and smash Democratic Kampuchea forces through the military war in the past 13 years waged by tens of thousands of Vietnamese communist troops with the support of the Soviet superpower...? The answer is because the Cambodian nation and people oppose this attempt. Moreover, the Cambodian nation and people are the inexhaustible source of the national forces and DK forces, including manpower and economic and political means. They would not allow this to happen. The Cambodian nation and people have, in the past, supported and joined with DK forces in resisting and preventing Vietnamese from annexing Cambodia and... from turning present-day Cambodia into the second Kampuchea Krom.[15]

There is some degree of truth in this statement. Vietnam is popularly perceived as an endless source of danger for the Cambodian race, and attacks elicit little popular anger. Whereas FUNCINPEC is equally opposed to Vietnamese settlers, and the CPP would like to improve its domestic image by distancing itself from Hanoi, the Khmer Rouge portray the government as a "puppet" or "lackey" to the "stinking Yuon aggressor". Through its pro-active, and bloody, policy, the rebel group has taken most of the credit for "driving" the Vietnamese out.

Domestic Anti-RGC Policy

The fifth explanation is that since the election, targeting the Vietnamese has been a means of splitting the RGC. Clearly, the Khmer Rouge did not believe that the PRK would support FUNCINPEC's stance on the Vietnamese settlers. The Khmer Rouge have been surprised that the PRK is as confrontational towards its former patrons as it has been. Although originally installed and supported by the Vietnamese Government, the CPP distanced itself from its traditional relationship, and ceased protecting ethnic Vietnamese in Cambodia, leaving them even more vulnerable to Khmer Rouge assaults.[16] The SOC confiscated Vietnamese identification cards and dismantled the system for them to obtain citizenship as a way of playing down its unpopular pro-Hanoi stance during the elections.

Although there is disagreement within the RGC as to what date Vietnamese residents should be grandfathered, "There is also widespread feeling among Cambodian officials that those Vietnamese who arrived in Cambodia after 1979, and who hold identity papers issued by the SOC government, should be taken back by Hanoi".[17]

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As Khmer Rouge tirades have drawn popular support, anti-Vietnamese sentiment has grown within all political parties. In response, the National Assembly passed an extremely controversial immigration law — controversial to foreigners but not to the legislature as it was passed with 97 votes to 1 — on 26 August 1994.[18] What makes the law so controversial is that it fails to define citizenship. Some argue that it was intentionally written vaguely with the Vietnamese in mind, and there has been concern that the government will use the new law to expel large numbers of ethnic Vietnamese, many of whom are legal residents. To this end, the RGC twice approached the UNHCR (United Nations High Commission for Refugees) to set up "reception camps to screen and forcibly repatriate Vietnamese living in Cambodia". Yet, due to pressure from Vietnam and human rights groups, the measure was not signed into law until 22 September 1994.[19]

Despite the potential draconian measures of the law, the KR has denounced it for political purposes. Calling the passage of the law a "farce" that the two-headed government was staging to "legalize the presence of nearly four million Vietnamese settlers in Cambodia",[20] the Khmer Rouge have asserted that no one will actually implement the law as

> [e]veryone knows that 99 per cent of the two-headed government's state powers in Phnom Penh and 100 per cent of its powers in the countryside are currently controlled by communist Vietnam. . . .Under these circumstances, will these tools implement the so-called immigration law? Will they expel the Vietnamese from Cambodia? Will they close the doors to prevent the influx of Vietnamese, or will they grant additional rights to the Vietnamese in Cambodia and open the doors even wider to allow more Vietnamese to flow into Cambodia?[21]

Clearly, the target of KR propaganda is the government. The KR argue that the CPP has co-opted FUNCINPEC and that the country is still being run from Hanoi: "*They continue to put pressure on the two-headed government to do everything they dictate. . .*".[22] The Vietnamese question is just one of many issues that the KR use in their attempt to split the government. In this case their efforts have failed, as the CPP and FUNCINPEC have shown an unprecedented degree of bipartisan support on this issue. It is a "survival of the race" argument, and because of Ranariddh's collaboration and participation in the "two-headed government" only the rebels can protect Cambodia:

> While some forces join hands with the allies and the Vietnamese-installed state power in attacking the people and national resistance forces, the Vietnamese communists can continue sending their people to annex Cambodia in the form of *demographic warfare*.[23]

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International Anti-RGC Policy

Finally, targeting the Vietnamese puts tremendous international pressure on the RGC — from Vietnam, international organizations, as well as human rights groups. Although the Vietnamese government has "condemn[ed] strongly the savage acts of Khmer Rouge aggression" and called on the RGC to "take strong action to stop the Khmer Rouge's bloody hands and to create favorable conditions for Vietnamese residents, who have been living and working for generations in Cambodia",[24] the government has not protected the ethnic Vietnamese in any way.

When the two Prime Ministers, Hun Sen and Prince Ranariddh, travelled to Hanoi in August 1993 for their first meeting with the Vietnamese leadership, the plight of the 30,000 stranded ethnic Vietnamese was on the top of the agenda. Although Ranariddh did not agree to authorize their return because he could not "assure their safety", he negotiated for the establishment of an immigration commission. Even Hun Sen stated that the problem would not be resolved quickly or easily: "First we have to provide security inside Cambodia [that is, defeat the KR]. Then we can consider the return of the Vietnamese".[25] Both leaders realize the highly political nature of this issue. As one Cambodian official stated, "We can't let the Vietnamese back now. It would just give the Khmer Rouge more ammunition".[26]

The issue is a very delicate one for the RGC for, if nothing is done, it will justify the Khmer Rouge's continued attacks and its claim to be the only defender of Cambodia's sovereignty, while making the government look bad. On the other hand, Cambodia is in no position to offend its larger neighbour. Although Vietnam cannot afford to turn this into a major conflict that could jeopardize its development goals and its re-entrance into the international community, it could make life difficult for the new regime.[27] For example, it could block the Mekong river for marine cargo and disrupt plans for any hydro-electric development. Finally, as Cambodia re-enters the international community, it will be expected to adhere to international norms, practices, and laws. The RGC is a signatory to the U.N. Convention on Human Rights, and a human rights component of UNTAC remains in Cambodia. The government cannot, therefore, flaunt international law and practice, and expel or slaughter its ethnic Vietnamese minority. The Khmer Rouge are poised to take advantage of these constraints.

Economic Justification or Playing-Off Fears?

Despite the rhetoric, the Vietnamese do not constitute the major economic threat to Cambodia as the Khmer Rouge assert. According to UNTAC's

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census, in 1993, Vietnamese comprised more than 500,000 of the total 9.7 million people in Cambodia, or roughly 5.5 per cent of the population.[28] Yet the economic effects and the ensuing relative depravity could be destabilizing. For instance, *The Economist* has noted that "The almost daily struggle for survival is...the economic basis of massive national resentment of the Vietnamese immigration and Vietnamese success in securing a near monopoly on jobs opening up in the construction sector."[29] Although unemployment is high, there is a lack of skilled workers and the male–female ratio is skewed. There is thus a fear that any shortage in urban workers will be filled by Vietnamese.[30] According to a Western ambassador, "since the arrival of UNTAC, approximately 100 Vietnamese had illegally entered Cambodia every day".[30]

Resentment is also considerable in the countryside where entire fishing and agricultural communities are dominated by Vietnamese. Tensions were exacerbated as UNTAC attempted to demobilize 70 per cent of all soldiers and to expatriate all refugees living in camps in Thailand;[32] this has been compounded by the fact that much of the countryside remains mined.[33]

None the less, Cambodia is sparsely populated compared to Vietnam. Of Cambodia's total 181,000 square kilometres, only 20,000 square kilometres, or 11 per cent, feeds Cambodia's population of 9 million. Vietnam, in comparison, utilizes twice that amount of land to feed its population of 71 million. In real terms, there is 24.3 per cent more land per peasant in Cambodia than in Vietnam.[34] The Cambodian people are cognizant of the fact that Vietnam, whether it is able to curtail its population growth or not, will look to Cambodia's vast and sparsely populated land area to feed its population and to provide land and employment.

The Khmer Rouge have used that fear as a centrepiece of their propaganda, arguing that the country's poor economic condition is due not to their land mines but "because [the land has] all been plundered by the Vietnamese communists and the regime that they installed".[35] Although the economic effects of Vietnamese settlers is minimal, the group is large enough to be politically exploitable.

The Future

The question is what can be expected in the future? The plight of the ethnic Vietnamese, both those stranded in Vietnam now, and those who remain in Cambodia, is uncertain at best. The ethnic Vietnamese community has fallen victim to politics; and human rights violations will continue by both the RGC and the Khmer Rouge. As Dennis McNamara, head of UNTAC's human rights component, stated in March 1993, "The

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violence against ethnic Vietnamese may well be chargeable under the genocide convention".[36]

Is this a sustainable policy for the Khmer Rouge? Does it help their cause in the long run? Unfortunately, it does. The Khmer Rouge leadership is cognizant and able to take full advantage of the government's constraints. Targeting the Vietnamese population is both popular and a policy that makes the RGC look bad, or at least cause the internal rifts that the KR had originally hoped. It allows the KR to be active, to have a scapegoat, and to continue its war effort without directly confronting the unified Cambodian Armed Forces (CAF) which is costly in both political and material terms. It is doubtful that Vietnam will jeopardize its economic development by intervening. Any protest will be directed at the government, for example, blocking the Mekong River for the movement of freight. Even as the rural economy is being developed and ODA (Overseas Development Assistance) is trickling to the countryside thereby giving the RGC more legitimacy, the Khmer Rouge's anti-Vietnamese stance will continue to win the group popular support. In the short term, the safety of the Vietnamese community is dubious at best.

NOTES

1. Zachary Abuza, "The Khmer Rouge's Quest for Economic Independence", *Asian Survey* 33, no. 10 (October 1993): 1010–21; and "The Khmer Rouge: Internal and External Variables", *Contemporary Southeast Asia* 15, no. 4 (March 1994): 443–50.
2. Ben Kiernan, *Peasants and Politics in Kampuchea 1942–1980* (Armonk, New York: M.E. Sharpe, 1982), p. 230.
3. See Gareth Porter, "Vietnamese Communist Policy Toward Kampuchea, 1930–1970", in *Revolution and Its Aftermath in Kampuchea: Eight Essays*, edited by David Chandler and Ben Kiernan (New Haven: Yale University-Southeast Asian Department, 1983), pp. 57–98; and Kiernan, *Peasants and Politics*, pp. 17–23, and esp. 227–313.
4. Cited in Kiernan, *Peasants and Politics*, p. 254.
5. Of the total 341,000 refugees who fled to Vietnam from Cambodia between 1975 and 1978, 170,300 were ethnic Vietnamese. See Ramses Amer, "The Ethnic Vietnamese in Cambodia: A Minority at Risk?", *Contemporary Southeast Asia* 16, no. 2 (September 1994): 218.
6. Cited in Kiernan, *Peasants and Politics*, p. 231.
7. Ibid., p. 232.
8. See Nayan Chanda, *Brother Enemy: The War After the War* (New York: Harcourt, Jovanovich and Brace Publishers, 1985) for a full account.
9. In 1979, there were 220,000 PAVN troops in Cambodia. In April 1985, then Foreign Minister Nguyen Co Thach announced a timetable for withdrawal: one-third by end of 1985, one-half by 1987 and two-thirds by 1990, with or without a negotiated settlement. In February 1988 it was announced that the deadline for a complete withdrawal

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would be 31 December 1990, although after his meeting with his Soviet counterpart, Gorbachev in June, Prime Minister Nguyen Van Linh announced that the 1990 withdrawal would be brought forward to the beginning of 1990 or the end of 1989. The SRV and PRK announced the complete withdrawal of the PAVN in September 1989.

10. Amer, "The Ethnic Vietnamese in Cambodia", p. 221. Although the PDK argued that there were over a million Vietnamese, even the head of its coalition partner, the KPNLF, Ieng Mouly "estimate[d] the total to be 600,000". See Nayan Chanda, "Wounds of History", *Far Eastern Economic Review*, 30 July 1992, p. 15.
11. Voice of the Great National Front of Cambodia (VGNUFC), "Statement by the PDK spokesman on 19 February", in Foreign Broadcast Information Service-East Asian Service (*FBIS-EAS*), 22 February 1994, p. 65.
12. See, *Phnom Penh Post*, 23 April–6 May 1993, p. 4; *BLDP Bulletin*, 22 November 1992, translated by Steve Heder; and Kate G. Frieson, "The Politics of Getting the Vote in Cambodia" (Paper presented at the 46th annual meeting of the Association of Asian Studies, Boston, Mass., 27 March 1994), pp. 16–17.
13. Nayan Chanda, "Wounds of History", *Far Eastern Economic Review (FEER)*, 30 July 1992, pp. 15–16.
14. Jay Jordans, "The Ethnic Vietnamese Community in Cambodia: Prospects Post-UNTAC" (Paper presented at the 46th annual meeting of the Association for Asian Studies, Boston, Mass., 27 March 1994).
15. VGNUFC, in *FBIS-EAS*, 10 November 1993, p. 49.
16. UNTAC was relatively powerless to do anything against the attacks. Although one official stated that UNTAC recognized "the right of the ethnic Vietnamese, who were born in Cambodia or otherwise gained Cambodian citizenship, to be in Cambodia", the official UNTAC policy was to "leave it up to the Cambodia government to decide on a long-term policy on the issue". The only assistance UNTAC provided to the ethnic Vietnamese was an armed escort when they fled the country. UNTAC's refusal to extend protection to the ethnic Vietnamese communities was justified by the argument that UNTAC was engaged in a peace-keeping mission, not an internal security mission, and that protection would diminish the United Nation's bargaining position. None the less, the three factions who competed in the elections were disgruntled with UNTAC's dealings with the Vietnamese. The Khmer Rouge condemned UNTAC for collaborating with the Vietnamese and keeping the Vietnamese puppet government installed. See Rodney Tasker, "Uninvited Guest", *FEER*, 26 August 1993, p. 13; *Final Act of the Paris Conference on Cambodia*, Annex A, Section C.
17. Economist Intelligence Unit (EIU), *Indochina, 4th Quarter Report, 1993*, p. 66.
18. The RGC asserted at that time that a "separate nationality law is being drafted". To date, no law exists. Agence France Presse (AFP), 26 August 1994, in *FBIS-EAS*, 29 August 1994, p. 69.
19. On 11 October 1994 a special commission to study the issue of Vietnamese settlers was established with representatives from the Interior Ministry, Foreign Ministry, the Cabinet Office, and the Ministry of Social Welfare and Labour. It is not known, however, if this group has met with its Vietnamese counterparts.
20. VGNUFC, "The Presence of Nearly Four Million Vietnamese Settlers in Cambodia Can Not Be Legalized; All Vietnamese Settlers Must Be Gathered in Camps and Sent Back to Vietnam", in *FBIS-EAS*, 1 March 1994, p. 52.
21. RPGNUS, 27 August 1994, in *FBIS-EAS*, 29 August 1994, p. 69; RPGNUS, 1 September 1994, in *FBIS-EAS*, 2 September 1994, pp. 49–50.
22. They justify this by the fact that FUNCINPEC has been given a fairly nominal role. Despite winning the election, FUNCINPEC only holds eleven of the twenty-seven

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ministerial portfolios while the CPP holds ten. Although FUNCINPEC holds vice-minister position in CPP-held ministries, effective control remains in the hands of the CPP. Moreover, all 22 provincial governors, including those administering the 10 provinces FUNCINPEC won in the elections, are Hun Sen appointees. Therefore, the CPP controls the ever-important patronage networks. RPGNUS, 13 September 1994, in *FBIS-EAS*, 14 September 1994, p. 65. VGNUFC, "Statement Issued by Khieu Samphan, Chairman of the PDK, on 21 October", in *FBIS-EAS*, 22 October 1993, p. 23.

23. VGNUFC, in *FBIS-EAS*, 10 November 1993, p. 50.
24. Cited in Economist Intelligence Unit (EIU), *Indochina: 4th Quarter Report*, 1993, pp. 64–65.
25. Murray Hiebert, "First Steps", *FEER*, 9 September 1993, p. 13.
26. Ibid.
27. In February 1994, the Vietnamese Foreign Minister Nguyen Manh Cam arrived in Phnom Penh for several days of talks and negotiations. According to Cambodian press reports, the Vietnamese Foreign Minister was cognizant of the political difficulties the RGC had with accepting the return of the Vietnamese settlers and did not press too hard. In late February, acting head of state, Chea Sim travelled to Hanoi for talks. The PDK condemned Chea's trip which, they stated, was merely in order to gain Vietnam's approval for the new immigration law that would "legalize the presence of nearly four million Vietnamese settlers in Cambodia". During the April visit of Vietnamese Premier Vo Van Kiet, it was announced that "the two sides agreed to set up a working group of experts to discuss and solve the issue of ethnic Vietnamese in Cambodia" and that the ethnic Vietnamese would "be treated as other foreign nationals". The PDK accused Vo of trying to "woo the two-headed government" and to "bury and conceal problems vital to the survival of the Cambodian race", as "Cambodia is currently halfway toward becoming the second Kampuchea Krom". See VGNUFC, "The Presence of Nearly Four Million Vietnamese Settlers in Cambodia Can Not Be Legalized; All Vietnamese Settlers Must Be Gathered in Camps and Sent Back to Vietnam", in *FBIS-EAS*, 1 March 1994, p. 52; "Cambodian-Vietnamese Joint Communique", 3 April 1994, in *FBIS-EAS*, 4 April 1994, p. 43; and VGNUFC, in *FBIS-EAS*, 5 April 1994, p. 54.
28. According to UNTAC figures, there are 100,000 ethnic Chinese and 240,000 Cham-Malays. Minorities comprise 8.66 per cent of the total population. See EIU, *Country Profile, 1993*, p. 96.
29. Ibid., p. 100.
30. In the 15–64 age group, there are 82 males per 100 females. See EIU, *Country Profile, 1993*, p. 96.
31. *FEER*, 30 July 1992, p. 15.
32. See, *Final Act of the Paris Conference on Cambodia*, Annex 4.
33. It is estimated that there are 10 million mines in Cambodia.
34. About 84 per cent of the population, or 8.15 million people, work 74 per cent of the total land area, or 133,940 square kilometres — that is, one person per 0.02 square kilometre. In Vietnam, 72 per cent of the population, or 51.1 million people, work 66 per cent of the land, or 219,120 square kilometres — in other words, one peasant per 0.004 square kilometre.

The push factor from Vietnam is increasing. Vietnam's population is currently growing at 2.1 per cent annually, and will reach 100 million by 2008. In 33 years, its population will double. Population growth is further exacerbated by the demobilization of a portion of its armed forces and the laying-off of workers from state-owned enterprises. Moreover, in a recent East-West Center report, the authors argue that

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although the Mekong Delta is more sparsely populated than the Red River Delta in the north (365 persons per square kilometre compared to more than 1,000 persons per square kilometre) its 2.67 per cent annual growth rate is higher than the north's 1.75 per cent annual growth. A. Terry Rambo, Nguyen Manh Hung and Neil L. Jamieson, "The Challenges of Vietnam's Reconstruction", *Analysis From the East West Center*, No. 5, pp. 2–3. Figures are also drawn from the Far Eastern Economic Review, *Asia 1993 Yearbook*, pp. 6–7.

35. VGNUFC, "In Which Way Should the Serious Situation Facing the Cambodian Nation and Society Be Resolved — Through Peaceful Means or Through Continuing to Kindle the War?" in *FBIS-EAS*, 10 November 1993, p. 50.
36. BBC/FE1653/A1/1, 2 April 1993.

ZACHARY ABUZA is a graduate student at The Fletcher School of Law and Diplomacy, USA.

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The Changing Dimensions of U.S. National Security Strategy: A Review Article

LEONARD C. SEBASTIAN

***Grand Strategy and the Decision-making Process*. Edited by James C. Gaston**. Washington: National Defense University Press 1991. 371 pp.

***Command and Control for War and Peace*. By Thomas P. Coakley**. Washington: National Defense University Press, 1991. 219 pp.

The speed of international change in recent years represents a watershed of historic proportions. We have witnessed not just the end of the Cold War, but also the resurgence of the United Nations, the reunification of Germany, decisive steps in Europe towards full integration, the emergence of Japan as an economic giant and the growing importance of the new industrializing economies of the Western Pacific, and the widespread embrace of liberal political and economic ideals that transcend boundaries of geography and culture.

Of these developments, the end of the Cold War has had the most dramatic impact on the United States, because for decades that struggle both legitimized U.S. engagement in the world and defined U.S. grand or national strategy. More significantly for the United States, the crises in the communist world and the related end of the Cold War essentially transformed the basic structure of international relations, complicating the manner in which the United States has traditionally viewed international security. Hence, it is not surprising that Vice Admiral J.A. Baldwin, President of the National Defense University, in his Foreword to *Grand Strategy and the Decision-making Process* cautiously indicates that "writing about

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'grand' or national strategy is especially difficult these days because rampant political change around the globe may outpace even the most reasoned views before they reach publication" (p. ix).

Indeed, changes will be inevitable in U.S. national security strategy as the Clinton Administration attempts to wrestle with significant domestic issues. Such changes will also be compounded by the fact that, with the demise of the Soviet Union, the United States lacks a credible external threat on which to build a national security agenda. If the reader is looking for a study that sheds light on this dilemma and provides insights into the future direction of national security strategy, then Gaston's edited volume may not be particularly helpful. This collection of essays does not offer a fundamental re-examination of U.S. national security in light of historic changes in world affairs, but rather a critique from within the fold. It is the agenda rather than fundamental attitudes that are re-examined.

The idea behind Gaston's well edited, annotated and indexed collection of essays is to provide an anthology on U.S. security strategy focusing on the decision-making process — the officials, organizations, laws, and procedures by which major national security decisions are made.

The book is divided into three parts. Part I looks at the basic nature of national security strategy, how it relates to national interests, and its evolution throughout U.S. history. The executive branch — traditionally the dominant branch in the development of national security strategy — is the focus of Part II. Finally, Part III focuses on the role of Congress in developing national security strategy.

The notion of drawing together such historic comparative studies on the subject and distilling from them insights into the essence of grand strategy is a valuable one. So demanding an endeavour requires much effort and a carefully considered approach. Gaston's work succeeds in providing the reader with a well-balanced overview on the nature and development of "grand" or national strategy in the United States. In doing so, it implicitly makes clear that the crux of grand strategy lies in policy, that is, in the capacity of the nation's leaders to bring together all elements, both military and non-military, for the preservation and enhancement of the interest of the nation in the long term (that is, in both wartime and peacetime).

Importance of Non-military Dimensions

Perhaps one's only lament with *Grand Strategy and the Decision-making Process* is its overtly military focus. This is understandable, however, as perceptions of threat during the Cold War essentially meant that U.S. national security policy would be characterized by three criteria: namely,

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its purely external orientation, its preoccupation with high-intensity (global nuclear) conflict and its strong linkage to alliance or bloc security (particularly evident in the European theatre). Readers concerned with the subject will find that it will not provide much insight in understanding how the United States will deal with current problems. National security can no longer be considered solely from the point of view of military motivation or political manoeuvring. Economic, cultural, educational and many other developments can have a major influence on national security.[1] This means that the structure established for analysis must be broad and open from every segment of government and the private sector. It should not be dominated by merely a single agency such as the Central Intelligence Agency (CIA) or the Department of Defence.

Bearing this in mind, the National Security Council (as discussed in Part II) is in some respects an anachronism. It was established in 1947 to satisfy a demand from the military services for a voice in diplomacy. However, the National Security Council (NSC) has in the past not dealt well with non-traditional issues.

In the 1980s, default on debts by foreign governments was one of the greatest threats to U.S. national security. Outstanding loans, chiefly to Mexico and Brazil, equalled 200 per cent of the capital of America's nine largest banks. Insiders at the Treasury and the Federal Reserve Board feared a financial collapse worse than 1929.

The NSC Senior Director of Economic Affairs tried to warn the President. CIA analysts tried to help him build a case. But it took more than two years to get the matter onto the NSC agenda. By that time, luckily, the danger had lessened. Neither the Treasury nor the Federal Reserve had seen the NSC as a natural venue for a problem in their domains, and neither agency had or has a comfortable relationship with the intelligence community. They succeeded in keeping their worries to themselves.

The NSC has since shown no sign of being better able to seize economic issues. The unhappy history of President George Bush's January 1992 trip to Japan is evidence. Staff work even approaching that on Cold War political-military issues would surely have forestalled the President appearing as a tour guide for corporate campaign contributors. Nor does the NSC show any ability to plan a "war on drugs" or prepare for international negotiations about environmental issues. These are concerns which the current and future U.S. leaderships will have to come to grips with.[2]

Decision-making and Changes in Warfare

With respect to the military component of national security, decision-makers in the United States will have to grapple with three potentially

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revolutionary changes that have occurred. The virtual disappearance of the Soviet threat is only one. A second change is the absence of any comparable threat. Before the Cold War, it will be remembered, there were the Axis powers and fascism to contend with and, still earlier, monarchism. Americans now face no menace from any foreign military power or hostile ideology. The third change is in the nature of warfare itself. Strategic intelligence has become tactical intelligence and vice versa. In the Persian Gulf, military satellites that had originally been lifted into space to track Soviet intercontinental ballistic missiles provided target data to tank commanders and pilots of combat aircraft. Meanwhile, field operative reports on morale among Saddam Hussein's Republican Guard units influenced presidential decisions in Washington on the actual moment for cessation of hostilities. The odds are that in future conflicts frontline commanders will be demanding satellite imagery while White House staffers plead for intelligence information cables. The sudden growth in dependence on various high technology equipment, though enabling frontline commanders to control their forces with greater efficiency will, nevertheless, add to the complexity of the national security decision-making process.

This in turn raises interesting questions about the nature of future strategic command and control (C^2) issues. The Gulf War made it clear that tactical intelligence and electronic warfare capabilities were critical to the course and outcome of the war. As Admiral Sergei G. Gorshkov, the late commander-in-chief of the Soviet Navy, once said, "The next war will be won by the side that best exploits the electromagnetic spectrum".[3] Had not the allied coalition developed a command and control system capable of meeting the operational requirements of General Norman Schwarzkopf's centralized battle plan, it (the battle plan) would have been a non-starter. If the Gulf War is a harbinger of a trend which places greater emphasis on U.S. involvement in regional conflicts only under the umbrella of a multinational force, then an understanding of U.S. approaches to command and control issues is essential and more pronounced than ever before.

Understanding Strategic Command and Control Issues

With *Command and Control for War and Peace*, Thomas Coakley, a Professor of English at the U.S. Air Force Academy has done a great service to those who aspire to peer into the complex world of C^2 issues and get to its basics.[4] With clear historical illustrations and a readable style, he guides the reader into a sound understanding of the human, organizational, budgetary and procedural elements fundamental to command and control. While helping the reader to cope better with communication technology and its often bewildering jargon, this study also clearly portrays how C^2

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has grown in steps to what many now call "C^3I^2" — command, control, communications, intelligence and information. Coakley's study should make a substantial contribution towards the development of a new military discipline that cultivates field grade and senior officers who could help commanders cope with the complexity of their command and control world. Furthermore, the reader will be encouraged neither to fear the technical side of command and control nor expect perfect C^2 in combat. This book will be an excellent resource for those having to deal with the extraordinary responsibilities of modern warfare.

Burden-sharing and Strategic Command and Control Issues

In the final assessment, it would be wrong to say that the success of the U.S.-led coalition effort in the 1991 Gulf War was the result of airpower alone. More important was the significance of electronic warfare and the advantages it brought by achieving transparency on the battlefield. By bringing C^2 to the battlefield, the enemy was severely restricted in what it could or could not do, as seen in the complete capitulation of the Iraqi army. This was an important lesson not lost on defence planners throughout the world and it has now meant that access to and acquisition of the most advanced surveillance and intelligence gathering mechanisms will be a critical issue. There is a greater likelihood that we will see a rise in the development of indigenous capabilities for command and control.

For instance, in the context of Southeast Asia, rather than taking the position that the acquisition of such sophisticated systems might contribute to insecurity, such acquisitions might in fact enhance regional security if their introduction increases the military resilience of regional states. Furthermore, this might have the beneficial effect of contributing to regional security and in the process keeping the U.S. security burden manageable. Such burden-sharing will lead to enhanced security, particularly if closer defence co-operation is developed between the United States and the countries of Southeast Asia. For example, the development of such indigenous command and control capabilities could be seen as a valuable security mechanism if it could be linked to the United States Defence Communications System (US DCS). The development of such an integrated command and control network would allow for enhanced U.S. strike capabilities in the region if the need arose, as well as serving as a useful confidence building measure. This has important ramifications for U.S. involvement in future regional conflicts.

Any lessons for future multinational "out-of-area" operations drawn from the Gulf War need to bear in mind that a future adversary would

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probably not be prepared to remain inactive while an allied coalition builds a multiservice command and control apparatus capable of supporting offensive military operations. The future success of any such operations would, in command and control terms, mean taking prompt decisions about the development and deployment of genuinely interoperable command and control systems and, crucially, a willingness on the part of the participant nations to commit forces to a single operational command structure.

In the Gulf War, the allied coalition's command and control difficulties were initially complicated by an almost complete absence of U.S. command and control infrastructure in the theatre. The avoidance of a repetition of the precariousness of the allied military build-up will require the provision of adequate command and control infrastructure in regions of the world that are conflict prone. This will probably mean either an extension of the U.S. DCS infrastructure in such regions or close co-operation with indigenous sources of command and control so as to provide a C^2 backbone to support future regional operations. Future U.S. involvement in allied operations will almost certainly be put to a sterner test. Hence, the need for interoperable command and control systems. Future allied operations premised on the assumption of a level of command and control system performance similar to that in the Gulf War could be open to catastrophic failure if subsequently put to a sterner test.

The result of immediate and severe budgetary pressures on U.S. defence expenditures will mean that if American military planners are to maintain an effective presence at a lower cost, then there has to be a moving away from substantial forward-deployed forces and overseas bases to a more mobile task force linked to flexible logistics agreements, combined exercises and interoperable command and control systems. This will probably be further clarified as the current U.S. leadership begins to define America's strategic orientation as confronting "risk" rather than "threat".

How then should U.S. grand strategy be reconceptualized? In the late 1980s, after four decades of the Cold War, discussions among American strategists had come to focus on relatively narrow and highly technical issues: merits of particular weapons systems, the minutiae of arms control proposals and methodologies for estimating the European military balance. The end of the Cold War in 1990 and the dramatic changes in the international environment deprived many of these once hotly contested issues of their significance or made them totally irrelevant. Suddenly, a new array of truly big strategic questions assumed centre stage. What is the American role in this new world? What are America's interests and from whence will those interests be threatened? What policies should the United States follow in order to protect its interests? What military

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forces and other capabilities will be required to carry out those policies? It is impossible to address these important questions in a short article. Undoubtedly, such questions will be debated for years to come before a consensus, if any, emerges in the American foreign policy community. This article does, however, attempt to provide a possible prologue to dealing with these issues by identifying the major strategic interests of the United States in Asia and provides some policy prescriptions to facilitate and encourage a more coherent approach to grand strategy for the region.

The Changing International Environment: The Context for Improved U.S. Strategy towards Asia

In Asia, as in Europe, the United States has political and security interests that compel an active role from it. Asian governments are moving towards a more pluralistic international system in which the competition for economic advantage is taking a higher priority on national strategic agendas. An incipient jockeying for position has already begun. But there is also a deep-seated conviction that this requires a new order of regional leadership and co-operation in order to chart creative courses for the perils and challenges ahead. The United States is the only country with the credibility and clout to take on the role of leader and balancer throughout the region. And yet its geographic distance also acts to allay the fears of hegemony that would accompany any Asian successor.

On the political-security front, American policy must understand that while Asia is apparently quieter than Europe these days, its underlying condition is much more volatile. There is an extreme disparity between economic and military strength, and there is no tradition of independent states in a permanent balance-of-power system. One of the region's most important economies — Taiwan — has the legal status of a rebellious province. Unification of Korea, changes in the Chinese political condition, and the re-armament of Japan are issues capable of radically transforming the Asian power situation. The United States must seek a balanced security situation in Asia — not an old-fashioned, armed-to-the-teeth balance of power, but a condition in which no nation feels threatened by any other. Part of this balance inevitably involves a major commitment of American forces for the foreseeable future. Beyond this, the elements of a stable regional security situation in Asia remains stubbornly difficult to bring together owing, in part, to the lack of coherence in America's Asia policy.

Unfortunately, the Clinton Administration's dishevelled appearance in times of international crises has contributed to America's declining credibility in Asia. Apparently, neither intelligence briefers nor the U.S. Secretary

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of State can get the President to allocate time systematically to foreign affairs until a problem reaches crises proportions. With the exception of the efforts of former President Jimmy Carter, there seems to be little delegation of authority, in spite of the fact that President Clinton spends less time on foreign policy matters than his predecessors. As a result of these organizational problems, U.S. foreign policy has had a stop-start quality featuring rapid reversals that leave friend and foe alike to await the next alteration from Washington before making firm commitments of their own.

For Asian states, the nuclear proliferation crisis in North Korea is a litmus test of American resolve. Korea is the only challenge on a vital national security matter heretofore faced by the Clinton Administration. The statements of the President himself were contradictory, alternatively bellicose and conciliatory, changing sometimes within just a few hours; and that characterizes the Administration as a whole. At the Pentagon in the morning, the Secretary of Defence might talk tough, only to have his position diminished by conciliatory statements from the White House in the afternoon. Nearly anarchic decision-making became a public spectacle when the present President allowed former President Carter to go to North Korea, and the whole world watched in amazement as President Carter changed U.S. policy on Cable News Network (CNN).

For the United States to return to the position of dominance it occupied in Asia at the end of the Cold War is probably impossible. The world has changed, and trying to resurrect the past would be frustrating and futile. The current free fall in American credibility can, however, be halted. The following steps could be taken by the United States to make its Asian security policy more effective in the face of rapidly changing conditions in Asia.

First, an inability to co-ordinate policy within the Administration does mean that Washington needs a full review of its policies towards Asia. The National Security Council could conduct such an internal review but needs to be revamped. The national security bureaucracy is still extraordinarily Atlanticist, and is oriented in its structure towards Cold War types of issues, such as arms control and military security. For example, under the Bush Administration, Secretary of State James Baker visited Alma-Ata, the capital of Kazakhstan, as often as he stopped in Tokyo. Within the staff of the National Security Council, the office handling arms control issues had seven or eight personnel, whereas responsibility for all of Asia was left to two staffers. The State Department's Policy Planning Staff had separate experts for conventional arms control, START (Strategic Arms Limitation Talks), Eastern Europe, the Soviet Union, but only one specialist for the whole of Asia. This kind of imbalance is repeated in other areas of the bureaucracy, and in the amount of time that senior

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decision-makers spend on Asian issues compared with relations with the former Soviet Union, the Middle East peace process, and so forth. A policy review must prioritize U.S. national interests and emphasize the need to restore the military capacity and political will necessary to ensure peace and stability. On a global basis, the review must differentiate between interests that are vital to U.S. national security, which are very important (but not vital), and interests that are less important. Protecting and defending the United States and its citizens remains Washington's most vital national interest, and this is why higher accord should be given to the North Korean problem than to any other short-term problem in Asia. Similarly, preservation of peace and stability in Asia is a vital long-term national security interest. This requires increased emphasis on the importance of the alliance system as the structure for maintaining peace.

Secondly, an important step towards security policy improvement would be to formalize the institutional structure of the U.S.–Japan relationship itself. The U.S.-Japan security relationship is much less formal and institutionalized than is the American relationship with its NATO (North Atlantic Treaty Organization) allies. The many Japanese complaints about the lack of consultation on the substantive differences between the United States and Japan on such issues as strategy towards Iraq could have been met through simple, formal gestures signifying American recognition of Japan's newfound importance as an international power. Efforts have been made in the past to institutionalize the relationship, for example, in the proposed meetings between U.S. secretaries of state and defence and the Japanese foreign minister and the head of the Self-Defence Agency. But American officials never made those meetings a high priority, and, because they were so easy to derail as a result of other scheduling conflicts, none took place under the Bush Administration. By comparison, a U.S. secretary of defence or state would think twice before cancelling an attendance at an annual NATO ministerial meeting; failure to attend would, in itself, send a powerful political signal.

Thirdly, Washington should not automatically reject proposals for Asian regional organizations that exclude the United States, any more than it should reject the European Community (EC). Asian regionalism might be either good or bad from the standpoint of American interests, depending on the form it takes. Obviously, regionalism designed to exclude the United States from Asia economically, or aimed at it strategically, would be dangerous. But certain forms of Asian regionalism might actually be helpful in relieving the United States of some of its regional security obligations. The EC represents an example that provides an analogue for such a situation in Asia. Although the EC has not emerged as a serious security organization during the Bosnian crisis, most American policy-makers

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would have been very happy had the EC been able to play such a role. The absence of a Soviet threat may provide Washington the opportunity to somewhat attenuate its direct role in Asian security, particularly where its interests are not directly affected. Finding and encouraging a form of regionalism that suits American interests will be a delicate and difficult, but not impossible, process. Any such regionalism would have to exist in parallel with existing bilateral agreements, such as the U.S.–Japan alliance, or the security agreements with South Korea, Thailand and the Philippines. It would have to be designed not to replace the central security functions fulfilled by these relationships but, rather, to meet new, post-Cold War security challenges that the existing bilateral framework cannot readily accommodate.

Fourthly, after protecting and defending the United States and stabilizing the structure of peace in Asia, Europe, and the Middle East, U.S. grand strategy should aim to ensure the prosperity of the United States. Trade and human rights, while important national interests, are less critical than buttressing the structure of peace on which everything depends. That is why neither trade nor human rights should be allowed to jeopardize either the U.S.–Japan security treaty or engagement with China. The United States should seek to open markets, but a balanced and coherent foreign policy should integrate trade interests with overall national security goals. Japan should be encouraged to open its markets and deregulate its economy. Similarly, China should be urged to adhere to international trading standards. But these ends are best accomplished through quiet, not vocal, diplomacy. Talk of trade war is unnecessary and few positive consequences would accrue outside ephemeral domestic political advantages. Rather than being influenced by the advice of trade hawks, President Clinton should emphasize the importance of U.S. relations with China and Japan which, in turn, would provide his counterparts in these countries time to craft reforms that would deliver meaningful concessions which would improve trading conditions. Foreign policy is the essence of the presidency, and not a sideshow staged only as domestic issues permit. There is no substitute for presidential leadership.

Fifthly, while it is the United States' prerogative to promote American values in Asia, it should do so with a sense of realism and proportion. China is too massive and too old a society to be changed by sermons from Washington. As K'ung Teh-cheng, a leading scholar of Confucianism has stated with reference to the maintenance of the communist regime in China: "35 or 40 years to a nation with a history of 5,000 years is nothing. It is a second on the clock. K'ung(Confucius) has been tested for 2,500 years and he is strong. Communism has been here for 40 years and it cannot survive".[5] Time, trade, and social modernization can be abetted

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by a strong declarative human rights policy that stops short of trying to coerce those who are too big, too powerful, and too proud to be moved by idle threats.

Sixthly, the United States should fund fully a military establishment commensurate with its geopolitical goals, in order to restore U.S. credibility abroad.

Finally, the United States should resist isolationism — not just in the military–security sphere but also on political and economic levels. Reasons abound for concluding the North American Free Trade Area (NAFTA), which the Clinton Administration has supported in principle. But U.S. zealousness for NAFTA should not divert attention from global free trade, and the government and policy-makers should be concerned if free trade with Mexico begins to divert large amounts of U.S. investment capital away from Asia. As American troops depart, Asia should not be left to Japanese multinational corporations. An example of how the United States can maintain its political and economic presence in this region is the appointment of an APEC (Asia–Pacific Economic Co-operation) ambassador to oversee U.S. relations with Asia.

The United States would find that implementing policies similar to those described in these four steps presents a formidable challenge to traditional ways of thinking about America's place in the world and, more specifically, the United States' relationship with Asia. Throughout this century, the United States has had great freedom of action for its foreign policies, because even at the height of the Cold War, America was the pre-eminent world power. This freedom and power have reinforced the American belief that other nations, in Europe and even more so in Asia, are not competent to play a role equal to that of the United States in world affairs. Quite simply, the United States does not know how to behave as an equal — only as a leader. Perhaps this leadership role has been essential to maintaining peace in the past, but it might not be appropriate for the future.

Conclusion

In retrospect, the Cold War dominated virtually every aspect of U.S. national security strategy, especially U.S. defence planning for decades. With the end of the Cold War, traditional security issues appear to have been devalued. Because military affairs are no longer as central to the U.S. national interest, analysts have had more latitude in exploring definitions of security broader than just military. Thus, it is increasingly common today to read that the Japanese economic threat is replacing the Soviet military threat as a key national security issue for the United States or

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that a realistic long-term view puts environmental concerns at the apex of the security pyramid.

It is important to analyse such "threats" realistically without oversubscribing to particular trendy topics that seem to be the current vogue. For example, will we see conflict arise as a result of environmental concerns? Such a scenario is not readily apparent. While advocating a broader, more inclusive concept of security, one should not reject military concerns outright. Many analysts have pointed out that military problems and issues have become a lesser priority and have grown manageable with the passing of the nuclear threat. This is certainly true, but false conclusions have been drawn from this premise. Whether or not many parts of the developing world will be safer places to live in the future is, regrettably, unclear at present. But they should become safer places for the great powers to interact and, on balance, safer places for U.S. interests to develop. The end of the Cold War has contributed to a more disordered global security environment. While the concerns over high-intensity conflict have diminished, there is certainly no convincing proof to suggest that the world will be free from threats of terrorism, low-intensity and regional conflicts.

With regard to North Korea, it is true that a politically unstable, nuclear-armed entity that is also in possession of very large conventional military forces is a troublesome prospect in global politics. Moreover, it is possible, indeed likely, that the prospects of some kind of war erupting in Europe has become greater as a result of the dissolution of the bipolar structure that dominated post-war European politics. But the types of territorial ambitions, ideological fervour, and risk-prone political agendas that were feared to have been prominent in long-term Soviet thinking towards Western Europe during the Cold War are no longer cause for concern. To be sure, as alliances shift and military postures change, things could still go wrong. Ensuring stability, and promoting mechanisms for joint conflict resolution thus remain extremely important objectives in the post-Cold War world. But the conventional defence of Western Europe against large-scale attack should not loom as a major anxiety for U.S. policy-makers, and indeed can be relegated to secondary importance on the security agenda.

Equally misleading, on the other extreme of the debate over U.S. military strategy, are arguments that the United States and other countries should learn to forgo military conflict because war has become too dangerous, because environmental and economic issues have become too pressing to ignore, and because U.S. security risks have become domestic rather than global in nature. Such perspectives, however laudable in spirit they might be, do not constitute solid foundations for defence policy-making.

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Security concerns are not luxuries that states somehow once could afford but no longer can; they are, unfortunately, intrinsic to the future.

As the sole superpower, global peace and security depend very much on the United States — on the choices it makes and the leadership it seeks to exercise. An international leader cannot ignore security issues when shaping its overall foreign policy — though at this point in history it may be able to adopt a largely hands-off approach to actual conflict in most cases, and adopt a more long-term perspective on the determinants of international peace. Nevertheless, where issues of order remain unresolved, U.S. influence, patience, power and relative wealth will be critical factors in the progress towards order or the descent into disorder.

As a complement to the edited volume by Gaston, what is currently required is a book that addresses fundamental questions about America's future: What are the country's vital interests? What is America's place in the post-Cold War world? How is security to be defined and defended as old threats disappear and new ones materialize? In offering a useful deductive paradigm for answering these questions, such a study could begin with a re-examination of what grand or national strategy means in a post-Cold War world. Following this, there should be an assessment of the various dimensions of national security,[6] and in the process presenting several contending visions of the new international order and concluding with a topical look at the U.S. stake in various regional problems. Such a study would bring structure and coherence to the debate about national security in a world transformed.[7]

With some "new thinking" about U.S. policy and the U.S. world role after the Cold War, we should be optimistic that U.S. policy will continue to contribute successfully to global developments that protect U.S. interests while also serving the larger good.

NOTES

1. The images of the Los Angeles riots in 1992 indicate that the United States must devote more resources to rebuilding its domestic economy and society. Without a doubt, if these issues are not tackled effectively, the United States will have to face a worsening internal security situation particularly in their inner cities. For a good analysis of this subject, see Steven W. Peterson, "Civil Disturbances in the American Urban Environment", *Low Intensity Conflict & Law Enforcement*, Part I, Vol 2, no. 3 (Winter 1993) and Part II, Vol 3, no. 1 (Summer 1994).
2. A growing number of Americans argue at least rhetorically that after the Cold War, economic strength is the key to national security. During the presidential campaign, candidate Bill Clinton said he would create "an Economic Security Council (ESC) similar to the National Security Council (NSC). The idea was that the ESC would deal

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with economic threats just as the NSC has dealt with military threats. Clinton, upon becoming president toned down the name Economic Security Council to National Economic Council because the former sounded "too confrontational". See Susumu Awanohara and Melana Zyla, "Spooks for Industry: CIA considers move into commercial intelligence", *Far Eastern Economic Review* 156, no. 8 (February 1993): 15.

3. "Software in EW Breakthroughs and Headaches", *Defense Electronics*, December 1989, p. 8. Cited in Desmond Ball, *The Intelligence War in the Gulf*, Canberra Papers on Strategy and Defence No. 78 (Strategic and Defence Studies Centre, The Australian National University, Canberra, 1991), p. 78.
4. This book should be read along with an earlier edited volume by Coakley entitled *C³I: Issues of Command and Control* (Washington: National Defence University Press, 1991). This compilation is an intriguing addition to the record of national security decision-making during the 1980s. A combined effort of the National Defense University and Harvard's Program on Information Resources Policy, it is essentially a collection of excerpts from Harvard's annual seminars on C³I issues where former and current senior government officials convened in Cambridge, Massachusetts, each year to offer unclassified presentations about the different aspects of C³I policy. The years included are from 1980 to 1987, encompassing the last year of the Carter Administration and most of the Reagan era. Given the seniority of both the military and civilian participants, these presentations offer an unusually frank discussion of the many crises of the 1980s and earlier. Although these lectures were recorded when the Soviet Union was the primary threat, the reader will be struck by how many C³I crises actually revolved around terrorism and low-intensity and regional conflicts.
5. Cited in Brian Kelly and Mark London, *The Four Little Dragons: Inside Korea, Taiwan, Hong Kong and Singapore at the Dawn of the Pacific Century* (New York: Simon and Schuster, 1989), p. 172.
6. The premises of an impending new era imply other secret information needs. These include intelligence on sub-rosa flows of narcotics, weapons and associated money, perhaps cross-checks on other data about trade, the environment, migration or disease. Serving "the needs of the government as a whole" implies generating information and analysis about new subjects and for new consumers. Grand strategy will have to incorporate these needs to be viable in a post-Cold War world.
7. At present, the best work done on this subject is Graham Allison and Gregory F. Treverton, eds., *Rethinking America's Security: Beyond Cold War to New World Order* (New York: W.W. Norton, 1992).

LEONARD C. SEBASTIAN is a Fellow at the Institute of Southeast Asian Studies.

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